FAR EASTERN

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The Hongkong Exporters' Association 33
Peking's Fear of Counter-Revolution 35
Prospects for Hongkong Industries 37
Population Estimates of Hongkong 40
China's Five-Year Plan and 1955 Budget 42
China and India: Two Paths to Industrialisation 43
Overpopulation in East Asia 47
Philippines
Economic Developments—First Quarter 1955 48
Thailand
Thai Rubber Industry 48
Aviation
Free China's Aircraft Industry 49
Hongkong
Notes 51
Entrepot Trade in Capital Goods 52
Statistical Reports (April) 55
Aviation and Shipping 57
Aviation and Shipping Notes .. 58
Finance & Commerce
June Trade Reports 59
Hongkong Share Market 62
Singapore Share Market 62
Hongkong Exchange Markets 62
Hongkong Trading Partners, 1954: Part X 64

THE HONGKONG EXPORTERS' ASSOCIATION

Shipments of Hongkong manufactured goods in 1947 accounted for approximately 10% of the Colony's total exports. By 1954 the proportion had risen to over 30% and the value of locally produced goods exported from the Colony totalled $681,878,981 or over £42,500,000. The rapid growth in the manufacturing capacity of the Colony and the increase in the quantity and variety of goods exported was not achieved without growing pains. Unfortunately some abuses also occurred which are deplored alike by responsible manufacturers and exporters and these abuses have stressed the necessity for an association of exporters of undoubted integrity whose members are pledged to do everything possible to earn the confidence of overseas buyers and to root out malpractices.

Such an association has now been formed with the title of The Hongkong Exporters' Association. It was incorporated on the 13th of May 1955 and held its first General Meeting on the 24th June, when representatives of the following firms were appointed to the General Committee:— Arnhold Trading Co., Ltd., H. Connell & Co., Ltd., Davie Boag & Co., Ltd., Deacon & Co., Ltd., Dodwell & Co., Ltd., Gibb, Livingston & Co., Ltd., Gilman & Co., Ltd., Jardine, Matheson & Co., Ltd., Li & Fung Ltd., Harry Wicking & Co., Ltd.

In Hongkong there is a large number of small manufacturers who are not properly equipped to handle export business but there are some among the larger manufacturers who have the necessary experience and facilities. The Hongkong Exporters' Association therefore includes both general export merchants and those manufacturers who have properly organised export departments so that in dealing with members of the Hongkong Exporters' Association overseas buyers can be assured that their interests will be efficiently cared for.

The need for an Exporters' Association has long been felt. Exporters have played and will continue to play a very important role in the development of the Colony's trade but they have not hitherto been organised to cooperate and consult with the Department of Commerce & Industry, the Chinese Manufacturers' Union, the Hongkong Spinners Association, the Hongkong General Chamber of Commerce, the Chinese General Chamber of Commerce and other appropriate trade associations to ensure the development on sound lines of Hongkong's export trade in all its aspects.

As is well known, there has been a considerable change in the pattern of Hongkong's export trade in the past five years. In pre-war days and in the immediate post-war years the Colony's exports consisted mainly of the produce and products of China but now there is a growing emphasis on the export of goods manufactured in the Colony. Due to the natural ingenuity of the Chinese, the initiative of both manufacturers and exporters and, last but not least, the encouragement given by the Department of Commerce & Industry, Hongkong is now in a position to offer for export a greater variety of merchandise than at any other time in its history, and this trend seems likely to continue.

Unfortunately there have been many unwarranted allegations and much undeserved criticism in connection with the export of Hongkong manufactured goods and the Hongkong Exporters' Association hopes to be able to do something towards putting this right. But there have also been some abuses by local merchants and manufacturers, which have tended to give a bad name to Hongkong's industry as a whole, and these the Hongkong Exporters' Association will also do everything in its power to correct. Some abuses have arisen from a lack of knowledge of the technicalities of exporting. The export merchant is a specialist whose knowledge and experience helps both the buyer and the manufacturer. The cost of exporting goods must inevitably be included in the selling price and these costs are incurred whoever does the exporting. To buy direct from a manufacturer is not therefore necessarily cheaper than buying through an exporter, and it may possibly mean buying very expensive trouble. Overseas buyers for the most part have no knowledge of the export facilities of the various manufacturers in Hongkong nor of the standing and reliability of export houses. One object of the formation of the Hongkong Exporters' Association is to assist overseas buyers in this respect.

What services can exporters in Hongkong offer? They know the manufacturers and can choose the factory best fitted to fill any particular order. They can inspect goods in course of manufacture and approve the finished articles to ensure that they are up to standard. They arrange payment and shipment only after the goods have been approved. With their knowledge of overseas markets they are in a position to supply buyers with samples of new goods likely to be of interest to them and to advise manufacturers of the styles and designs likely to prove popular in the various markets of the world. They know the technicalities of export and the documentation necessary for different areas. They can keep buyers overseas posted on conditions and manufacturing developments. Despatch, shipping, insurance, etc., are all taken care of by exporters and the important subject of timely delivery from the factory is their constant care. Sound goods can be spoiled by inappropriate packing and here again the exporter is able to help the manufacturer with advice.

The services provided by exporters to both manufacturers and overseas buyers are thus clearly important. The cost of these services is small because of the large volume of trade that export merchants handle. Only the largest manufacturers can afford to provide the facilities that are the whole business of the export merchant, and it must be remembered that the export merchant has to maintain a high pitch of efficiency in the face of competition and must clearly demonstrate the value of his services to buyers in order to remain in business. That so much trade is done through exporters in Hongkong—a volume which is constantly increasing—is the hallmark of the value of the services they render.

The extent to which exporters in Hongkong have financially assisted the growth of industry in the Colony is not perhaps generally recognised. Many of the smaller factories have insufficient capital to develop their businesses and it is a common practice for exporters to assist manufacturers in the purchase of raw materials by making advances to them when orders are placed Without this assistance the numerous small industries in Hongkong could not have developed as rapidly as they have.

The Hongkong Exporters' Association was formed on the recommendation of the Trade & Industry Advisory Committee, with the full support of the Director of Commerce & Industry, and action was initiated on this recommendation by the Hongkong General Chamber of Commerce, the Chinese General Chamber of Commerce and the Chinese Manufacturers' Union, all of whom recognised the need for a representative body of exporters to assist in dealing with export problems.

The aim of the Hongkong Exporters' Association will be to work closely with all those interested in the export trade of this British Crown Colony in order to develop overseas markets, disseminate information, eliminate malpractices, arrange for arbitrations, solve trading problems, and take all appropriate action to ensure that buyers are happy with, and the Colony can be proud of, any merchandise bearing the label "Made in Hongkong."

PEKING'S FEAR OF COUNTER-REVOLUTION

There is a wider conflict between two vast world systems; one based on the free enterprise which gave the West world domination on a scale beyond the remotest conception of the simple warring conquerors of a vanished age; the other based on admirable principles which are wholly thwarted and inverted in actual practice. In the free world there has been a conspicuous movement away from an anti-Communist crusade of armed force toward a policy of containment which is quite content to let the countries under the heel of the Communist power-men go their own way but is equally determined to resist them if they seek to continue their militant aggrandisement which in the course of a decade has extended their authority over the greater part of Europe and an alarmingly large part of Asia. There are air bases all round the Communist bloc as an earnest of that resolve. But they are not centres of anything so romantic or commonplace as espionage—they are centres of power expressly to hit back if militant Communism ventures forth on a renewed march of conquest. There is traffic on the anti-Communist as well as on the Communist side in secret agents. This has gone on from the beginning of history and the most notorious offenders are the Communists themselves. If they could only be persuaded to keep their hands off the affairs of others, others would no doubt be disposed to leave the Communists alone. Just as like breeds like, there is always a risk that the militant internationalism of the Communism will breed counter-revolutionary mass forces. The resurgence and aggression of the Nazis under Hitler was the natural, if not inevitable response to the challenge of the Marxist expansionism. There are some elements not only in the U.S. but in various other parts of the world who are disposed to do much the same thing. But the plain fact is that all these people have lost ground—though they can never forget the 'paradise' lost to them inside the "peace and democratic camp" and though in point of fact the part played by the vast Communist bloc in the national economies of the West was relatively infinitesimal. Many South American countries individually did far more business with the U.S. than did the whole of China or the Soviet Union, and Australia's nine million people did more business with the U.K. than both put together. But, like the superstitious Boxers before them half a century ago, the Communists play on superstitious fears sedulously cultivated by an incessant stream of hostile propaganda. On this particular occasion the major theme is the special emphasis of the "American warmongers" on espionage activities. It is asserted that enormous funds have been devoted by both the U.S. Government and the giant monopoly corporations to the U.S. espionage organizations.

The more intelligent Chinese no doubt realise that over the vast expanse of the Chinese countryside there is nothing to be gleaned worth an hour's work by any espionage agent, and that nowadays intelligence is perforce directed almost wholly to the invention of new atomic weapons, of which China is blissfully ignorant. Indeed though Britain and the U.S. may be intensely interested in knowing precisely what progress has been made in the Soviet Union in these matters, the truth is that the free world is far ahead of the "international" physicists and German specialists who have entered or been suborned into the Service of the singularly unproductive and uninventive Marxists. All the rest of the socalled espionage is extinct and the Chinese security and other organs are suffering from a completely outmoded and abysmally ignorant obsession which does the native intelligence of the Chinese people no credit. But it is not so much a myth as a cultivated obsession, which has about as much relevance to the modern scene as the bullet-proof stomachs of the Boxers.

The Communist propagandists in China have to observe certain stringent clinical and tactical methods, though too often they seem to be sadly overlooked or neglected. If they harp too constantly on the theme of American aggression and the determination of the warmongers to smash the regime, they create panic and with it a certain element of additional hostility due to the widespread knowledge of the Americans and their friendly and generous disposition. On the other hand, if they do not keep up the anti-American and anti-capitalist propaganda they find it more and more difficult to induce the people to accept the measures of austerity and harsh discipline which they impose in the name of national construction and national defence preparedness, of which the most conspicuous recent example is the enforcement of the universal military service law—perhaps the most depressing of all the revolutionary enactments insofar as the young revolutionary intelligentsia are concerned, for even they have all the traditional prejudices about military service.

It is obvious that this malaise—to put it at its lowest denominator—afflicts the activists and the younger Party cadres generally, or it would scarcely have been necessary for the special Party publication Chung Kuo Ching Nien to publish a very long article by Liu En-chi proclaiming in the very heading that "it is essential to keep up our Revolutionary Vigilance all the Time." The country, he insisted, is "still subjected to the encirclement of imperialism," and no effort is made to show how much or how little the new regime itself is contributing to the removal of tension and the relaxation of this socalled "encirclement." The young activists are told that the international monopoly capitalists, and first of all the multi-millionaires of the United States, do not mean there will be any weakness in resistance if militant Communism breaks bounds. But even the Party propagandist Liu En-chi has to admit that these socalled "secret agents and spies of the imperialist elements and bandit Chiang" have still a certain social and class foundation for existence in China—a matter which we must not overlook. There are many who still resist the armed conquest of China by the superior armed discipline and fanatical zeal of the Communists, and, he says, "these elements who are the incorrigible enemy of the people, have found their way into the State organs, enterprises and even rural basic-level organisations" of the Government and the Party. Presently they are lying low, he says, but they only wait for their chance. In the first half of 1954 the public security organs of Hopei captured at one stroke 50 reactionary bandits who roved about within a radius of 100 or 200 miles of the Peking-Tientsin-Paoting triangle—where, incidentally, the Communists first established themselves in the wake of the Japanese advance in 1937-8. They joined up with others to sabotage production and to persuade the peasants not to join the Communist mutual aid and co-operative bodies. Various reactionary sects also had to be cleaned up, one of which, the "Ikuantao," were established in half a dozen municipalities and 23 counties, in Hopei, Shantung and Kansu. They were involved in what is called the "Chin Chien Pai Yu Kuei" case, in which the chief culprit was said to be a secret agent of the Kuomintang military intelligence. He was joined by ex-army officers and leaders of religious sects and utilised commercial establishments as cover to plot uprisings. Some of these reactionary religious leaders infiltrated into State enterprises and the mutual aid and co-operative bodies. In suburban Paoting alone there were 39 of these ringleaders in these organisations. Others exploited their socalled clerical right to hit the "patriotic church members."

Some of these counter-revolutionaries, it was alleged, collaborated or were "in the course of collaborating"—whatever that may mean, with the enemy abroad so as to carry out sabotage activity on a large scale. Last year, Kwangtung and Hunan uncovered the activities of a counter-revolutionary organisation called "Ching Feng She" operating along the Canton-Hankow Railway and in certain enterprises. It was formed by "secret agents and spies who found their way into China from Hongkong." In 1953, the Shanghai public security organs uncovered an espionage case involving "criminal Alain de Terwangne" inside a Catholic Church. He carried out his activities under the direction of "Riberi, the No. 1 imperialist element who had been expelled by us." The writer of this concoction goes on to emphasise that the "exploiting class" has not died out in China. Most of the bourgeoisie were willing to accept the State policy of utilization, restriction and reform, and the authorities should unite with them. But with Socialist transformation gaining in depth, the conflict between the Socialist and Capitalist factors has become the main conflict in domestic political life. Reactionary elements are devising all ways and means to resist the realisation of this transformation. Diehards among them are in touch or in course of getting in touch with imperialist espionage organisations or remnant counter-revolutionaries in China to broaden the scale of political sabotage. The "five poison" tactics have again been taken up in the cities, while in the villages the "unlawful rich peasants" resist every step by the State for bringing about the Socialist transformation of agriculture. They infiltrate into the mutual aid teams and producer co-operatives and take over leadership and vital jobs. The State monopoly of purchase and sales of grain, cloth and oils is also resented and resisted.

Communists must despise and disdain the enemy but they should not be lethargic or belittle him. They should not be frightened and imagine from all this that the counter-revolutionaries are still very powerful and even dreadful. They had annihilated the eight million strong armed forces of the "Chiang gang, armed by American imperialism," and again defeated the enemy in Korea. Unhappily, many of "our young people" do not behave in this way. Those with that lethargic feeling think that since they had the powerful people's liberation forces and the heroic and quick-witted public security personnel, the small number of secret agents and lackeys cannot do much. This feeling is equivalent to a denial of the need for the anti-espionage struggle as a struggle of mass and permanent character. They look upon this as a matter for the public security personnel and a small number of highly-placed personages. Press reports about the capturing of secret agents are dismissed as something "accidental" which is encountered only once in a hundred years! The strength of any army can be assessed if the quantity of rice cooked is known! One may also estimate the volume of production from the number of workers employed by the factory, and transportation efficiency by the train traffic. "The importance of the secret and important matters involving the Party and the State can thus be guessed. It is plain, therefore, that the anti-espionage struggle is closely related to all concrete problems one often comes across in daily life." The young people, continues Liu En-chi, must manifest their role in all fields of security and defence work. In the factories and mines special attention must be paid to labour discipline to prevent accidents. In the rural areas, the youths must help the public security organs to consolidate security and strengthen the militiamen for the purpose of smashing the plots to sabotage production. Youths on the frontier areas must help the public security organs and the frontier guards to guard against the aggressive and subversive activities of American imperialism and bandit Chiang and to thwart the smuggling and infiltration of secret agents and spies. They must also be ever-ready to refute counter-revolutionary rumours and to help the public security organs in persuading counter-revolutionaries under surveillance to start afresh with a clean slate.

PROSPECTS FOR HONGKONG INDUSTRIES

By Ricardo

The expansion of light industries in Hongkong was stimulated by the decline of entrepot trade and nourished by the inflow of capital from China and Southeast Asia. There are now about 2,500 registered factories employing over 120,000 workers in addition to hundreds of small factories which have not registered with the Department of Commerce and Industry. Many new factories are still opening up and foreign capital continues to arrive here from Chinese in Southeast Asia. Some of the capital went into the stock exchange market and real estate business but a good portion was invested in various industries. The majority of these new industrialists were only interested in quick profit and had not bothered to study market conditions in advance. As a result, when for instance enamelware industry enjoyed a brief boom last year, there was a rush of idle capital into this industry and more than 10 new factories popped up almost overnight. This caused over-development in this industry without any appreciable increase in demand. Supply soon exceeded demand and prices came down. Keen local competition further depressed export quotations and before the end of last year, several factories were out of business. The same phenomenon exists in several other industries. One new cotton mill which had opened up early this year was closed down recently. In the knitted gloves industry, there are now more than 30 factories with a total annual production capacity of 3 million dozen pairs. Last year the total export of knitted gloves was 600,000 dozen pairs only. The estimated total export for 1955 is about 1 million dozen pairs which is still far below the maximum production figure of this Colony. A senior official of the Department of Commerce and Industry stated that he could not see any justification in such heavy concentration of capital in a few particular industries.

MARKETS FOR HONGKONG PRODUCTS

During recent years, Hongkong manufactured goods have found their way not only to Indonesia, Thailand, Pakistan, India, Ceylon, Burma, Malaya, Borneo, Philippines, New Guinea, Australia and New Zealand but also to Central America, South America, Caribbean countries, Africa and Britain. Most of these markets are not yet fully developed. However, the invasion of HK products has already been met with resistance in several markets. The reaction has been most unfavourable in Britain where the gradual increase in imports of HK products is much resented by manufacturers there who accused that cheap HK goods were putting them out of their business. Some alleged that HK products were made in Japan and China. Actually, Hongkong is still buying far more from than selling to Britain. During the year 1954, export of HK manufactures to UK accounted for only 11% of total export of HK products. The total Hongkong exports to UK of all commodities do not exceed 0.2% of UK's total imports. The main cause of the outcry was that Hongkong's exports to UK had been concentrated on a small number of goods—gloves, umbrellas, felt hats, rubber footwear, brushes and buttons. The allegations usually spring from a combination of antagonism towards Hongkong competition and ignorance of the extent and scope of local industry. Manufacturers in UK have the illusion that Hongkong simply cannot make all the gloves, hats, et cetera it has been exporting and that therefore they must come in part at least from Japan. British umbrella manufacturers have even set up a fighting fund to keep rival HK goods out of Britain. British hosiery manufacturers recently stated that the average landed price of HK gloves was 24s per dozen pairs while the cost for home-produced gloves was 41s 3½d. The Chiap Hua Manufactory Company of Hongkong recently reported that its UK agents had alleged that attempts to market HK made electric clock movements in Britain were frustrated by a UK manufacturers' protection ring. This was, however, strenuously denied by British clock trade circles.

Mr. Grimwood, Director of the Hongkong Government Office in London, defended Hongkong against all these attacks and informed UK manufacturers of the development of Hongkong industries. Actually, all exports of HK products to UK are covered by imperial preference certificates. It can be stated and supported by voluminous documentary evidence that no article shipped from Hongkong to UK as locally manufactured goods under claim to Imperial Preference, has originated in Japan or elsewhere. Commenting on UK manufacturers' attacks on HK goods, Mr. C. L. Hsu, President of the Hongkong Chinese Manufacturers' Union, said that while the British government was doing its very best to promote Hongkong industry, merchants in England were trying to check its growth. He pointed out that in order to qualify for imperial preference treatment, HK goods must be made partly from British raw materials. The restriction on exports of HK manufactures to UK will inevitably cause a decline in the requirement for British raw materials. Mr. Hui Ngok, the Chairman of the Union, said that as Hongkong is a Colony of the UK, the products of Hongkong should be favoured and protected within the Commonwealth. Many other leaders share these sentiments. A meeting of manufacturers was called and it was resolved to appeal to proper authorities to put an end to such attacks and misunderstandings. Authorities in Britain recently announced that the Government policy was not to restrict imports of colonial goods by imposing quota restrictions nor to impose duties on them. Nevertheless, the Eire Minister of Commerce and Industry authorised on June 13, 1955 the imposition of specific duties on imports of knitted woollen gloves to check what Irish manufacturers denounced as "dumping" of such products on the Irish market by Hongkong.

In other markets, the sales of HK products have not been very smooth either. Indian cotton textiles, Japanese fibre goods, and Chinese light industrial products may soon beat HK products out of Southeast Asia if nothing is done to redress the situation. Furthermore the purchasing power of countries like Indonesia and Thailand has been affected by the shortage of foreign exchange in these countries. In short, the traditional markets for HK products have contracted while very few new markets have been developed.

UNHEALTHY COMPETITION AMONG LOCAL MANUFACTURERS

Another threat to the development of local industry is the indulgence of the majority of local manufacturers in unhealthy ways and means to promote their business. Leading industrialists are doing their best to develop new demand and to maintain the traditional markets in Southeast Asia.

They have organized exhibitions of HK products in different countries. An electric clock manufacturer recently announced that his factory had appointed agents in Singapore, Australia, Thailand, Burma, Sweden, Italy and Saudi-Arabia. One local electric torch bulb factory is now making bulbs for an American firm. Last year one cotton mill owner went to South America to develop the market for HK cotton yarns. Many other leading industrialists spend large sums of money as well as a good deal of time to develop overseas demand for HK products. However, as soon as one product has made an impression in one particular market, almost immediately other merchants elbow into this market with similar products. The smaller manufacturers are only interested in getting quick profits. They do not have the right connections and it is difficult for them to get orders, so they cut prices and reduce quality to make up for it. Buyers in these markets soon find that prices are getting cheaper and cheaper. They therefore refrain from placing big orders. Early this year, all local enamelware factories pledged not to bid under the standard prices which they had agreed upon. However, small factories are still offering prices far below standard quotations and producing goods much inferior in quality. The activities of these small factories have completely undermined the excellent promotion work done by pioneers. This suicidal competition has already driven many factories to bankruptcy; earned a bad reputation for HK goods; and caused the loss of some markets to Japanese and other products.

ATTITUDE TOWARDS THE PRESS

Many local manufacturers who do not know how to market their products know still less about scientific management. They are neither interested in the production of a better quality nor in the creation of a new demand. They are only anxious to rob others of whatever business which has already been developed. These are the people who do not care about attacks from any source. Recently this Review approached various local factories and invited opinions regarding UK manufacurers' criticism of HK products. This Review also proposed to publish statistics of production and other information, such as source of supply of raw materials, cost of labour et cetera, of various factories in order to present an up-to-date picture of local industry and production capacity to the World. After persuading these local industrialists in visits, with letters and telephone calls for weeks, only a few leading factories responded. The majority of them simply ignored the proposition. Even with the Government influence, the response remained inert. With the exception of a very few leading firms, local factories are unwilling to cooperate with newspapers or magazines in informing the public of their production activities. It seems that they are afraid of publicity. Some worry that their trade secret may leak out and others have too many things to hide. One manufacturer told this Review that if the story was told that the machine in his factory had been moved down from Shanghai, they would not be able to export any more of their products to US. These manufacturers do not trust the press and simply do not believe that the press is anxious to help them in their promotion work. Some manufacturers who want the press to blow the trumpet for them refuse to verify their claims with factual reports. They do not want to reveal how much they can produce every month but insist that they can accept as many orders as they can get. Their answers are vague and their attitude not cooperative. The Governor of Hongkong recently advised local industrialists to tell the World of what can be produced here and how good are these products. The best way to do this is by factual reporting of various manufacturers and their production capacities.

FUTURE DEVELOPMENT

Prospects for local industries are reasonably good provided that everyone who is connected directly or indirectly with industries—manufacturers, journalists, importers and exporters and government officials—does his best to guide its growth into healthy development. There is plenty of capital available for the development and more will flow into Hongkong with the successful growth of local industries. There is no difficulty in obtaining raw materials and there is a surplus of labour in this Colony. Power supply may be a little more expensive than in other countries but the percentage of electricity in the total cost of light industrial products is usually very low. Land is now expensive. but Government has been very cooperative in providing land for factories and the situation will be further improved after the completion of Kung Tong reclamation projects. Port facilities here are excellent for feeding local manufactures to any port in the World. The market in the Far East and Middle East for local products could be further developed. Indonesia and Singapore bought less in 1954 when compared with previous years. But these two markets still accounted for the largest percentage of total exports of HK products. Demand from UK and Latin America could also be improved. With all these possibilities, there should be room for further expansion of local industries. There is little choice for Hongkong anyway as hope for the revival of an entrepot trade boom is very faint. In order to provide jobs for thousands of workers and to bring new prosperity to Hongkong, industrial expansion must be harnessed by planning and coordinating it with other developments. Blind investment and heavy concentration of capital in a few industries must be discouraged; new markets must be developed and trade malpractices and suicidal competition among local manufacturers must be stopped by effective means.

Quality Standardization: No democratic government or organization can prevent its members to sell their products at low prices, but a quality standard could be set up to prohibit the export of goods which are inferior to the standards fixed by arbitration. If a manufacturer can produce goods of standard quality at prices cheaper than others without cutting labour cost too low, such achievement is a sign of industrial progress and must be encouraged. The local Manufacturers' Union recently submitted a recommendation to Government for the establishment of a HK Products Standardisation Committee. The details of this proposal are not yet known. It may be some time before the Committee could be formed. In view of the importance of protecting the reputation of HK products, something must be done quickly and effectively. The measures could be best enforced if the Department of Commerce and Industry, Manufacturers' Union, Export Association and various Chambers of Commerce would coordinate their efforts so that in the years to come when competition grows more keen in overseas markets, HK products will have earned a favourable opinion among overseas buyers as German goods did in the Far East before the War.

Land for Industrial Development: The Kung Tong reclamation project should be hastened. It would only be appropriate to the spirit of the project that the land should be sold or made available to factories in other forms at very low rates. The land should be available only to those factories who could utilize every inch of the site to the utmost in producing better and cheaper goods. There must not be any speculation or hoarding of land. The future development in the Kun Tong district will contribute greatly to the prosperity of Hongkong. This project is therefore as important as, if not more important than, the Tai Lam Chung Reservoir project. People of tomorrow will find that the healthy development of local industry is vital to the livelihood of Hongkong's 2½ million population which is increasing naturally at the annual rate of 60,000 persons.

Industrial Banks: During the past century, banks in Hongkong have been developed almost entirely for the purpose of financing commercial activities. Local industries have been developing and surviving almost without any help from banking circles. The local General Chamber of Commerce recently reviewed that the remarkable industrial development took place without the benefit of any production subsidies, protective tariff, tax concessions or credit at specially low interest rates. Manufacturing had to depend almost exclusively on imported capital goods and raw materials and compete with Japan, India and other countries in domestic as well as external markets. The nature of the inflow of capital, however, has changed during recent years. Formerly, a great portion of the capital that poured into this Colony was brought here by industrialists from the Mainland. Idle capital reached here last year was mostly from Chinese in Indochina and the Philippines. Overseas Chinese remitted large sums here from America, Australia, Singapore, Indonesia and Thailand but there was no inflow of capital from China. Idle funds are now in the hands of speculators, businessmen and housewives who have neither confidence nor interest in industrial developments. During the year, even the big factories found it at times hard to raise funds. Only very few large factories got loans from leading banks here but the majority had to borrow money at high interest which inevitably increased production costs. Time has come for local authorities and industrialists to form an industrial bank to absorb idle capital and to grant loans at low interest to factories. This bank should also have a research department to study various markets for different products. A new industrial bank will also help the growth of local industries.

Personnel Training: The Governor of Hongkong in his speech at the opening of last year's Exhibition of HK products, advised local manufacturers to send young men abroad to learn modern ways of industrial management. Scientific management is the answer to the call for cheaper and better products without affecting the living standard of workers. With the exception of a few large factories, most mills and works here are backward and there is plenty of waste in man power and materials. Hongkong could produce more cheaper and better goods if only such waste is prevented by adopting scientific management. The need for this industrial revolution will be more urgent when competition in overseas markets grows more keen in the future. Local industrialists must utilize to the utmost advanced industrial technique and equipment of the West together with the industrious and ingenious characteristics of the hard working Chinese here in order to compete with Japanese and other products in external markets. Several local mills have already started their own training classes. The Manufacturers' Union has also decided to raise $1 million to train technicians for local industries. However, on the other hand, educational authorities recently reported that they had difficulty in finding jobs for all the graduates from various technical colleges. As a result of the narrow specialisation of subjects selected by Hongkong students, the more lucrative professions such as medicine, engineering, architecture are becoming overcrowded. Industrial management attracted few students. One reason for the low enrolment is the fact that local manufacturers seldom employ strangers to manage their business. Those who get the job do not have to be experts; they are either intimate friends or relatives of the owner. The alternative solution for local industrialists is to send their own men abroad to learn the trade Coordination and cooperation between industrialists and Government will enable local schools to train more useful personnel thus providing more jobs for more people.

Promotion and Publicity: Scientific management calls for streamlined promotion and sales work. There are very few qualified persons in Hongkong who know how to plan a sales campaign. The majority of local industrialists do not know how to conduct their publicity and promotion work. Advertising policy of some local newspapers also needs renovation. The advertising manager usually approaches the manufacturer and demands ads after the paper has published a story about his factory. They forgot that to inform the public of the activities of local industries is one of the duties of local newspapers. This gaucherie of some of the local advertising men has nursed the unfriendly attitude which local manufacturers and businessmen hold against the press. However, if local manufacturers wish to make use of newspapers and magazines as media for the promotion of their sales, they should be more cooperative with reporters. Stories on local industrial activities will inform buyers abroad of the real conditions of local factories and of what they can buy from here. In the development of external markets local exporters can also help. Some factories handle their own exports but the majority of the smaller factories depend upon local exporters for overseas business. In many of the reported trade malpractices, the majority were master-minded by local exporters. With their experience in export shipments, these exporters should be able to advise smaller manufacturers on how to cut down wastage in packing and on the type and quality of goods for different markets instead of conspiring in unlawful trade. These exporters can also help to finance export shipments by making use of

POPULATION ESTIMATES OF HONGKONG

Overcrowding has been the chief problem of Hongkong for many years. Housing accommodation, schools, hospitals, even prisons, nowhere is there enough room for all; experts have come from overseas to advise us what to do with our "refugees". We are beset by squatters, hawkers, wood hut fires, and troubles of all kinds. In view of all this, one would expect our population statistics to be thoroughly thrashed out and up to date; it is all the more amazing to find here in this matter a degree of confusion and ignorance, and our ignorance is getting rather worse than better.

The population of Hongkong is given quite seriously as "either two or three million"; a recent editorial of the South China Morning Post gave it as 2,750,000; on the other hand an expert puts it at a little over 2,000,000. Officials are of two minds about it: the most recent reports on vital statistics say: According to official "Vital Statistics", the Hongkong population was 2,250,000 at the end of 1952 and again 2,250,000 in June 1953. As there is a natural increase of some 29,000 for the six months, this static figure of 2,250,000 would amount to a net emigration of 29,000. Statistics released in January 1955 refer generally to the year 1953-54 or up to June 1954; there seems to have been no effort for another estimate in June 1954. But the "Hongkong Annual Report" gives the population as 2,500,000 in December 1954. It is obvious that these figures do not tally and more thinking over the whole matter seems very necessary. Moreover it must not be forgotten that these vital statistics go to the United Nations specialised agencies, and presumably form the basis of many learned disquisitions; and if the basis is false, what of the conclusions.

Births and Deaths

As far as the public is concerned, the only firm foundation of proved facts, for an estimate of the population, are the numbers of births and deaths. The figures since 1947 are given below; in round hundreds.

Table I

Year		Births	Yearly Increase	Deaths	Yearly Increase	Natural Increase
1947	......	42,400		13,200		29,200
1948	......	47,500	5,100	13,400	200	34,100
1949	......	54,800	7,300	16,300	2,700	38,500
1950	......	60,600	5,800	18,500	2,200	42,100
1951	......	68,500	7,900	20,600	2,100	47,900
1952	......	72,000	3,500	19,500	1,100	52,500
1953	......	75,500	3,600	18,300	1,200	57,200
1954	......	83,300	7,800	19,300	1,000	64,000

Registration of Births and Deaths in Hongkong is said to be done with care, and the figures above are believed to be fairly reliable.

Births. Table I shows a coninued rise in the number of births each year since 1947, and averaging 5,000 a year for the period, with distinctly higher figures for 1949, 1951 and 1954, and lower figures for 1952 and 1953; these anomalies may be explained: 1949 by the change of regime, 1951 by the "five anti" campaign, 1952 and 1953 by tightening border restrictions; the reason for the rise in 1954 is not clear.

Deaths. The figures for the number of deaths are more subject to extraneous influences than those for births; when movements to and from the mainland are easy, many Chinese return to their villages in case of failing health, or in old age, and die there; on the other hand, the great fall in infant mortality since 1950 would account for a fall in the number of deaths of some 1,300 a year, and would make up in part for any increase due to a larger population.

Population, Birth Rate and Death Rate

If the figures for the number of Births and Deaths are probably reliable and fairly accurate, the figure for the Population is uncertain because there has been no census since 1931. The figure given there is probably of little help for today. The great upheavals of the Japanese campaigns of 1937—1939, of the Japanese occupation after 1941 and liberation in 1945 have long since obliterated any bearing the 1931 census might have had on today's numbers; it follows that the figures for population variously quoted here and there are no more than speculations, estimates or guesses, and it behooves the observer to scrutinize them closely, including official estimates. This applies equally to the figures for Birth Rate and for Death Rate, as these are merely relations between Births, Deaths and Population; the number of Births once being accepted as true, then the Birth Rate depends on Population; the greater the figure for Population, the lesser that for the Birth rate, and vice versa, and the same applies to the Death Rate.

Official Statistics for Population

Birth rate and Death rate are given below.

Table II

		Population	Birth Rate	Death Rate
1947	....	1,750,000	24.3	7.6
1948	....	1,800,000	26.4	7.5
1949	....	1,857,000	29.5	8.8
1950	....	2,265,000	26.8	8.2
1951	....	2,013,000	34	10.2
1952	....	2,250,000	32	8.6
1953	....	2,250,000	33.6	8.1
1954	....	2,500,000	36.6	8.6

Changes in population figures include the figure for Natural Increase: the rise of 50,000 in 1948, for instance, includes an excess of births over deaths of 34,000 so that the increase due to immigration, or Net Immigration, becomes 26,000.

Figures of changes in official estimates for populations and Net Immigration and Net Emigration are given below.

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local banking facilities. Smaller factories will then be relieved of the burden of capital tie-up.

It is therefore up to all those who are connected directly or indirectly with the export of HK products to coordinate their efforts and guide the expansion of local industry to prosperity. This may need plenty of work and patience on the part of local industrialists and government officials, but to work for prosperity is always easier and more pleasant than to control and care for a poverty stricken society with the fire of Communism burning at the back door.

Table III

	Population Increase	Population Decrease	Net Immigration	Net Emigration
1947				
1948	50,000		16,000	
1949	57,000		18,500	
1950	408,000		365,900	
1951		253,000		299,900
1952	237,000		184,500	
1953				57,200
1954	250,000		186,000	

It will be seen above that figures for the number of Births and Deaths could be taken at their face value, and what anomalies were found could be explained by supervening circumstances. Figures listed in Table II and in Table III on the contrary present remarkable, and even incredible features, they constitute anomalies so strange that a full discussion is necessary, and we will take these points now one by one.

The Birth Rate for 1951

The Birth Rate for 1951 makes a sudden jump from the previous year of over seven points, from 26.8 to 34! A sudden jump in the Birth Rate of this magnitude is most unlikely to be real. The Birth Rate at any one place and one time is firmly grounded in the mores; it changes with them pari passu, and therefore very slowly. It took the English Birth Rate for instance thirty years to go down ten points from 34.1 in 1881 to 24.5 in 1911 and another nearly thirty years to 15.1 in 1938. There are of course years when the times are out of joint and the Birth Rate moves abruptly up or down, but then the cause is obvious enough and no detailed enquiry is needed for a diagnosis; war may come, when all men leave their homes and go to the front, and the Birth Rate will fall drastically nine months later, or when peace comes, the process is reversed; or again there was an abrupt drop in the Japanese Birth Rate some three years ago when abortions were legalised and a million operations a year were performed. Apart from such national upheavals, or sudden changes in the law of the land, changes in the Birth Rate are very slow. There was no such upheaval or sudden change in Hongkong or in Kwangtung province in 1950 and 1951, that could explain a sudden rise of 7 points in the Birth Rate; and on that ground alone we are entitled to look askance at this jump up from 26.2 to 34. It will be noted also that the figures for the four years 1947 to 1950 are 24.3, 26.4, 29.5, 26.8 averaging about 27. Figures from 1934 to 1941 average about 26. On the other hand figures for the four years 1951-1954 are 34, 32, 33.6, 36.6 with an average of 34.

If we do not accept this sudden jump in the Birth Rate in 1951 from 26.8 to 34, can we decide what is the true Birth Rate, and also what is the meaning of this sudden and unexplained jump in the official figure?

The figure of 26.8 is a low Birth Rate and cannot be accepted for China. Chinese traditions and mores are all favourable to a high Birth Rate, particularly ancestor worship and early marriage. In this connection, two very important elements are recent figures for the Birth Rate in Tientsin and in Taipei. The Tientsin Birth Rate is given as 44 and Taipei as 48; both figures are believed to be fairly reliable. We may expect Taipei to have Birth Rate slightly higher than Hongkong or Tientsin, because the dearth of women found in HK does not exist in Taipei and the numbers of the sexes are more nearly equal. Conditions in Hongkong are probably more alike to those in Tientsin than in Taipei; on the other hand it may be that there is a larger transient population in Hongkong: as transients frequently come as single men, this creates an excess of males over females, which must lower the Birth Rate in proportion. In conclusion, it is likely that the Hongkong Birth Rate is a good deal lower than that of Taipei (48) and it may be lower than that for Tientsin (43) but what grounds there are to make it 9 points lower has not been revealed, and it might well be somewhere between 34 and 43.

The sudden jump of the Birth Rate from 26.8 to 34 in 1951 is all the more questionable as a jump of equal proportions is found in the Death Rate, from 8.2 to 10.2. Conditions which would make the Birth Rate and the Death Rate go up the same year, by equal amounts, are hard to imagine; it seems most likely that there was no such jump in reality and that we have here an artifact of computation. If for instance it was found that the figure of 26.8 for the Birth Rate was untenable and was given up, then the whole structure had to be altered to fit the new one for the Birth Rate. The Death Rate would have to be altered in the same proportion and of course the figure for Population.

Population

If the estimate for the Birth Rate was changed in 1951 from about 27 to 34, a new figure for Population ensued, as the actual number of Births is known for each year from actual registration. In 1950 Births were 60,600, and an estimated Birth Rate of about 27 gave a population of some 2,265,000. In 1951, although registration of Births actually showed an increase to 68,500 the new estimate for the Birth Rate, of 34 gave a population of 2,013,000. We now had the remarkable sequence:

Year	Population
1950	2,265,000
1951	2,013,000
1952	2,250,000

and the still more remarkable sequence for movements of population:

1950	Net Immigration	365,900
1951	Net Emigration	299,900
1952	Net Immigration	184,500

Did these mass movements actually take place close on 400,000 one way one year, and 300,000 the other way the other year, and again an influx of 185,000 the following year? And what caused these sudden changes? In the absence of any positive evidence, let us simply say that they appear unlikely to be real.

Another Solution

If we conclude that an estimate of about 27 for the Birth Rate never corresponded to the facts, and that the jump of 27 to 34 in 1951 was fictitious then we are free to think, as seems most likely that the Birth Rate changed little in the eight years from 1947 to 1954. If we take the official post-1950 figure of 34 as a working solution, then we are free to apply it to the whole series, and we get the following estimate:

Table IV

Year	Population	Yearly Increase	Natural Increase	Net Immigration
1947	1,250,000		29,000	
1948	1,390,000	140,000	34,000	106,000
1949	1,610,000	220,000	38,000	182,000
1950	1,780,000	170,000	43,000	127,000
1951	2,020,000	240,000	48,000	192,000
1952	2,100,000	80,000	53,000	27,000
1953	2,220,000	120,000	57,000	63,000
1954	2,450,000	230,000	64,000	166,000

The figures for Population and for Net Immigration are of course estimates and are based on a Birth Rate constant for the whole period of eight years, of 34.

It may well be that this figure is still too low, and that the true figure is nearer to that for Tientsin, of 43; it might be for instance 40. In that case the whole series would have to be altered in proportion; it is significant that in that case, the figure for 1954 would be 2,080,000 rather than the official 2,500,000.

May we venture two conclusions.

First: After reading the official statistics educated readers will probably find it deplorable that no greater effort has been made for a better treatment of the whole subject; with the great resources at their disposal, officials have also, as a check, figures for the number of deaths from cancer and from intracranial vascular diseases, although this method may well be considered of doubtful value, in view of the little work of diagnosis carried by Death Certificates.

Second: Instead of being content with speculations, estimates and guesses, why not get at the facts. A simple survey would certainly give a very good approach to the true value of the Birth Rate, even if it were limited to a relatively small number, always provided the selection were sufficiently representative, and it were carried out with great care. We have in mind the survey carried out for the Rent Control Commission which gave good results, although little more than 10,000 persons and 600 "floors" were involved and which seems to have worked fairly well. A true Birth Rate would enable us to follow the movements of population, on which so many things depend—witness the 600,000 so-called "political" refugees found recently by a learned professor from overseas.

— **Critic**

CHINA'S FIVE-YEAR PLAN AND 1955 BUDGET

One of the major issues of the second session of the First National People's Congress which opened last week in Peking was the adoption of the First Five-Year Economic Development Plan. According to a report made by Li Fu-Chun, Vice-Premier and Chairman of the State Planning Commission of the State Council, China's total industrial output ought to go up by 98.3% in value during the first 5-year plan period ending 1957. Production of industry it is hoped to be increased by 104.1%. By 1957, increase in output of major industrial products as compared with 1952 is hoped for to be: Steel—from 1.35 million tons to 4.12 million tons (3.1 times); Electricity—7,260 million kilowatt-hours to 15,920 million kilowatt-hours (2.2 times); Coal—63.53 million tons to 113 million tons (1.8 times); Generators—30,000 kilowatts to 227,000 kilowatts (7.7 times); Electric Motors—640,000 kilowatts to 1.05 million kilowatts (1.6 times); Cement—2.86 million tons to 6 million tons (2.1 times); Machine Processed Paper—370,000 tons to 650,000 tons (1.8 times); Cotton Piece Goods—111.63 million pieces to 163.72 million pieces (1.5 times); and Machine Processed Sugar from 249,000 tons to 686,000 tons (2.8 times). Production in the state-owned industries will go up by 130.1% in value. By 1957, the output in state, cooperative and joint state-private industries will account for 87.8% of total industrial production while that of private industries will drop to 12.2%. State outlay for economic construction and cultural and educational development during the five-year plan period will total 76,640 million yuan which is equivalent to more than 700 million ounces of gold. Of this amount, 55.8% will be used for capital construction. The 156 projects which Russia is helping China to build will form the core of industrial construction.

In Anshan, 48 major projects will be constructed or rebuilt in the 8 years ending 1960. When completed, the annual output of pig iron in Anshan alone will reach 2.5 million tons, steel 3.22 million tons and rolled steel 2.48 million tons. Wuhan and Paotow will also be developed into major iron and steel centres. Fifteen new thermo-power stations each having a capacity of more than 50,000 kilowatts will be built before 1957. Construction in 31 coal mines, when completed, will enable each of these mines to produce more than one million tons of coal every year. These include projects in Fushan, Fusin, Kailan, Tatung and Huainan. The No. 1 Motorcar Plant at Changchun will produce 30,000 lorries every year. Construction of a second motorcar plant, with double the capacity of the No. 1 plant, will be started before 1957. The tractor plant now under construction, will produce 15,000 tractors of 54 horse-power each year when the plant is completed in the second 5-year plan period. The power generating equipment plants will turn out power generating units of 12,000 to 50,000 kilowatts. Before 1958, 39 big textile mills will be constructed in addition to many other light industrial projects.

The total output of agricultural and rural subsidiary products will go up by 23.3% in value. By 1957, the output of foodstuff will reach 192.8 million tons (an increase of 17.6% as compared with 1952); cotton 1.635 million tons (an increase of 25.4%; jute and ambary hemp 365,000 tons (19.7%); tobacco 390,000 tons (76.6%); sugar cane 13.15 million tons (85.1%); sugar beet 2,135 million tons (346.4%); and the oil-bearing crops' acreage will reach some 7.86 million hectares representing an increase of 37.8% over 1952's acreage. Ninety-one new mechanised state farms and 194 new tractor stations will be built before 1957. In the field of water conservancy, 13 big reservoirs will be built. The Huai River project will be continued, the work of the complete control and overall utilisation of the resources along the Yellow River will be started, and scores of huge dams will be erected along the 4,800-kilometre long river and its tributaries.

There will also be an appropriate development of transport, postal and tele-communication services. A total of 10,000 kilometres of railway lines will be added to the present system. More than 7,000 kilometres of new highways will be completed. In education, the number of students attending institutes of higher learning will reach 434,000 by 1957 representing an increase of 127% as compared with the record for 1952. The number in senior middle schools will reach 724,000 (an increase of 178%); in junior middle schools 3,983,000 (78.6%); and in primary schools over 60 million (18%).

The 1955 national budget first and foremost ensures the continuous development of heavy industry with an allocation accounting for 47.72% of the total expenditure of 29,736.72 million yuan (about £4,248 million). National defence takes up 24.19%. The total income this year will be 31,192.52 million yuan (about £4,456 million) thus leaving a surplus of 1,455.8 million yuan. The 1954 revenue was 30,745.83 million yuan and total expenditure 24,632.44 million yuan. Of the total expenditure for 1954, economic construction accounted for 50.17%, education and culture 14.05%, and national defence 23.6%. These figures show an increase in percentage for national defence expenditure while the percentage for economic construction budget is lower this year. Peking explained, "The US is still pursuing the policy of strength and is directing war threats against China. China's national defences must therefore be strengthened for any possible aggression and to liberate Taiwan."

For the year 1955, 11.2% more will be spent on expanding industry than last year and 89.2% of the industrial expenditure will go to heavy industry. Agriculture, forestry, water conservancy and meteorology will receive 9.25% of the total funds for economic construction. Investment in large-scale capital construction will be increased by 10.43%, power 19.3%, coal 14.7%, crude oil 31.6%, pig iron 13.8%, steel 18.3%, cement 21.7%, machine-made paper 8.9%, sugar 17.8% and investment in salt will be increased by 50.1 per cent as compared with 1954 budget. Total value of agricultural output for 1955 as compared with that for last year will be increased by 6.4% with grain up by 5.3%, cotton 20.6%, tobacco 38% and sugar 16%.

About 70% of the revenue will be derived from the state sector of the economy. Revenue from peasants will drop from 14.13% to 11.76%. Li Fu-Chun assured that China has sufficient capital for her gigantic work of construction. He enumerated the sources from which China accumulated the capital: "The overthrow by the Chinese people of imperialist control in China has eliminated the plunder of her wealth by the imperialists, and this has provided an important source of capital accumulation. Since land reform, the peasants no longer pay huge amounts in rent to the landlords and are now able to use part of their crops to help in national construction. The property owned by the bureaucrat capitalists has been turned into people's property. The workers now work for the state and this provides an important source of capital. A considerable part of the profits of capitalist enterprises is now paid as taxes to the state or used for the expansion of production." However, he admitted that after the completion of the five-year plan, it would take at least another 15 years for the complete transformation of China into a Socialist state and 40 to 50 years to build China into a powerful country with a high degree of socialist industrialisation.

— A Chinese Commentator

CHINA AND INDIA: TWO PATHS TO INDUSTRIALIZATION

By Yuan-li Wu and Robert C. North

An observer can almost imagine a beam-scale set across the Himalayan knife-edge with India tipping the balance on one side, China on the other. In the vast, separate scale-pans two ancient peoples are hard at work transforming their economically underdeveloped countries into industrialized nations. Taken together, these two peoples constitute roughly a third of mankind. Yet there is a vast difference in the way they go about their work, for the Indians are using planned democratic tecdniques to achieve their goal, while the Chinese depend on totalitarianism. The whole world, but especially neighbors in Asia, are watching to see which country makes the better progress, and at what benefit—or cost—to the people.

Despite the fundamental and all-important differences between domestic India and totalitarian China, there are also striking similarities in the problems which these two countries face. The Indian Planning Commission, in describing the economic content of the Five Year Plan, asserted:

> In India, the central aims of planning are set by the character of her long term problems—increasing population, continued low productivity of land, low rates of capital formation and per capita income, excessive dependence of land and the imbalance between agriculture and industry, slow economic progress, and the persistence and growth of inequalities in the distribution of wealth and income.

China's problems and aims could be set forth in nearly identical terms.

In 1948-49 about one-half of India's net national product was derived from agriculture, while modern factory establishments accounted for less than one-seventeenth of the total. In 1946, the corresponding figures for China were 59 percent for agriculture and 6 percent for manufacturing. In both countries, modern industry was of imported origin, and insofar as it exists today is more developed in the production of certain consumer goods and producer goods than in the production of capital equipment. This is still true in China, despite the recent emphasis on heavy industry.

The consequent shortage of opportunities for employment outside of agriculture has given rise to an extremely high ratio of farm population to cultivated land in both countries—although the degree of population pressure is somewhat greater in China than in India. The population of India, estimated at 360 million, is now growing at an annual rate of 1.25 percent. The population of mainland China, reported at 583 million by the 1953 census, is increasing at the rate of 2 percent per annum. Clearly, unless the expansion of production can outstrip population growth, both India and China will be faced in the future with an economic crisis of mammoth proportions.

Specialists in the study of underdeveloped countries widely agree that industrialization provides the only effective answer to the economic problems of such countries. Given this fundamental proposition, it comes as no surprise that industrialization in a broad sense is the central theme of both the Indian Five Year Plan (1951-56) and the Chinese Five Year Plan (1953-57). But despite the fact that much of the same economic reasoning underlies the basic approach in both countries, the two plans are notably different in terms of timing, priorities and techniques. These dissimilarities, in turn, reflect differences in political systems and organizations as well as moral philosophies and values.

Since their inception, both the Indian and Chinese programs have achieved a measure of success; they have also exposed certain factors which are more than purely economic and which, in the case of China, raise deeper issues concerning the very premises of economic development. The question facing India and China today is no longer whether industrialization should be undertaken, for on this point there is no disagreement. It is rather how industrialization should be pursued, it being just possible that the non-economic cost of certain methods may prove too high a price to pay, especially when those who must make the sacrifices have had no voice in choosing and—what is even more important—no opportunity for repudiating either the planners or the decisions of the planners.

The issue would be an important one under any circumstances, but in view of the cold war and unsettled conditions in other parts of Asia, it is nearly explosive. In their own councils neither Soviet Russian nor Communist Chinese leaders have made any secret of their plans for expansion over Asia and for Communist domination of the world. One doubts whether any Asian people today would vote into office a Communist dictatorship on the basis of its strait-jacket ideology or police methods. But if over the next few years Communist China should be notably more successful at industrialization than democratic India, it is entirely conceivable that vast numbers of Asian peoples might choose what looked like the economically effective road in preference to the path of justice and civil rights. Later they would most certainly discover that a vast industrial machine is of limited benefit to the people so long as they are dominated and even enslaved by it—but by then the police state would have them in its grip and it would be too late for change.

Basic Divergencies

India's basic attitude toward economic planning—contrasting sharply with the policy of Communist China—has been revealed by the Indian Planning Commission:

> It is possible to have a plan based on regimentation and on immediate measures for levelling down (the living standard) in the hope ultimately of being able to level up. It is possible to take the view that mass enthusiasm cannot be created except on the basis of reprisals against those classes which have come to be associated in the public mind with the inequities and deficiencies of the old order. But the basic premise of democratic planning is that society can develop as an integral whole and that the position which particular classes occupy at any given time . . . can be altered without reliance on class hatreds or the use of violence.

The Chinese Communists, on the other hand, have provided in their latest constitution not only for the promotion of economic development under central planning—but also for the "suppression of all treasonable and counter-revolutionary activities and the punishment of all traitors and counter-revolutionaries" in the course of that development. Among the "counter-revolutionaries" singled out for suppression are the "feudal landlords" and "bureaucratic capitalists", whose presence is said to undermine the "people's democratic system" and the security of the state. Thus, in contrast to Indian planners, Communist China does not seek to develop society as an integral whole but rather relies on class hatreds and the use of violence to provide the necessary mass enthusiasm. From this basic difference emanate all the other principal divergencies in content and method between the Five Year Plans of India and of China.

To begin with, China under its Five Year Plan devotes a greater proportion of its resources to investment than does India, thus reducing the quality of resources available for the production of consumer goods. Since the per capita consumption levels prior to the introduction of the Five Year Plans were already very low in both countries, a reduction of consumption could result in serious privation for the people. It is not likely that the general population in any country would knowingly and voluntarily choose privation; it could be enforced only by the artificial generation of "mass enthusiasm" and the most rigorous government control. The Chinese planners have resorted to this course.

India has been more considerate of the consumer. According to the Five Year Plan:

> . . . the rate of saving as a proportion of total national income will have to go up from 5 percent in the base year of 1950-51 and 6¾ percent in 1955-56 to about 11 percent by 1960-61, and 20 percent by 1967-68.

At that point it will be stabilized. In monetary terms this means that while savings available for investment in 1950-51 were about 4.5 billion rupees (Rs.) out of a national income of Rs. 90 billion, the amount would be raised to Rs. 6.75 billion in 1955-56 when the national income is expected to reach Rs. 100 billion. Of the expected increase in national income (Rs. 10 billion) about one-half would be absorbed by the increase in population; one-quarter would be accounted for by the increase in annual investment from Rs. 4.5 billion to Rs. 6.75 billion; and one-quarter would be available for a slight increase in per capita consumption. In short, the Indian Five Year Plan envisages a slight—but nonetheless real—improvement in the standard of living even during the initial phase of development

In fact, the total Indian expenditure on development (not all of which constituted investment) during the first three years of the plan amounted to only Rs. 8.85 billion. Even when the total expenditure of Rs. 530 million in the same period within the private sector is included, the average annual investment was well below the estimated initial amount of Rs. 4.5 billion. In the same period, foreign assistance provided Rs. 1.31 billion, so that expenditure out of domestic resources averaged slightly over Rs. 2.5 billion a year—or less than 3 per cent of the national income. However, since there was some reduction in the country's foreign assets in the same period (largely in the form of withdrawals from sterling balance), actual expenditure on development under the plan out of current production was considerably less than 3 percent of the national income. Per capita income, in the meantime, rose by 2.2 and 3.85 per cent respectively for the first two years of the plan. As a result of these developments, although the rate of investment has probably lagged behind the planned target, per capita consumption has increased.

Developments in China have been of a far different order. The Chinese Five Year Plan, initiated in 1953, has never been revealed in detail. But net investment during the first year was probably in the neighborhood of 2 billion dollars in Chinese currency at 1933 prices. Compared with an estimated national income of 26 billion, this was over 7 percent of the national income; it was thus in excess of the ratio envisaged for India even at the end of its Five Year Plan, and more than twice the actual ratio of investment to income in the first three years of the Indian plan.

This higher ratio of investment to national income in China was made possible only through stringent controls of consumption unknown in India. Rationing of foodstuffs was introduced in mainland China toward the end of 1953, followed in 1954 by the rationing of cotton cloth. According to Chen Yun, chairman of Communist China's Financial and Economic Commission, further extension of rationing to other commodities must be expected in the future. Clearly, then, there was a reduction in the level of per capita consumption during the initial phase of China's Five Year Plan in contrast to a small increase achieved by Indian planners.

Some Salient Statistics

International comparisons of national income, investment and other economic aggregates are always dangerous, but the above comparison between the pace of investment in the two countries may be brought into clearer focus, perhaps, if the relevant figures are stated in common terms. The national income of India in 1950-51 was approximately equal to US $19 billion. That of Communist China in 1953 was probably US $18 billion or a little over. Yet China devoted the equivalent of US $1.4 billion of its production to investment in the first year of its Five Year Plan, with the promise of even greater sums in subsequent years; in contrast, India's investment equalled US $1.6 billion (from domestic resources only) in a period of three years. This means that China allowed much less for the current consumption of its population. If we bear in mind that the population of the Chinese mainland is reported to be 60 percent greater than that of India, the plight of the Chinese people under the program of industrialization almost defies imagination.

This leads to a second significant difference between the plans of the two countries—namely, the contrasting emphasis in the contents of the two plans.

Detailed figures regarding investment in China for 1953 and 1954 are not available, but the budget data for general-expenditure on economic items tell the same story. Even allowing for the fact that expenditure on the development of electric power facilities classified under "irrigation and power" in the Indian case is included under "industry" in China, the divergence in emphasis is striking. The Five Year Plan of India is one of general development in the course of which per capita consumption has registered gradual improvement—however slight. The Chinese Five Year Plan, on the other hand, is primarily one of industrial expansion for which per capita consumption—abysmally low to start with—has been reduced even further.

Free vs. Forced Labor

In view of the large populations of China and India, planners in both countries have turned to labor-intensive projects so that the vast underemployed manpower may be brought to bear for the purpose of development. It is partly on the basis of this consideration that the Indian plan calls for the development of cottage industry and handicrafts, small-scale efforts for the better utilization of water, and community projects. While Communist China has made somewhat similar efforts toward developing handicrafts and small irrigation schemes, policy there departs from the practice in India by virtue of the deliberate and systematic employment of forced labor—probably one of the major reasons why China has been able to realize such a high rate of investment in spite of its low per capita income.

The Indian Planning Commission, with a view to minimizing inflationary pressure, states that "in the initial stages of development reliance will have to be placed as far as possible on voluntary labor." Under the Indian plan voluntary labor simply means unpaid labor recruited on a voluntary basis.

In China, on the other hand, the various labor-intensive projects are carried out largely by prison labor. In the words of Lo Jui-ching, Chinese Communist Minister of Public Security (speaking as recently as August 26, 1954):

> Another . . . achievement in the work of the reform of criminals is (having them) carry out production on a considerably large scale. During the past four years we have established many farms for labor service for reform (purposes), and among them are many large farms with more than 10,000 mow (about 1,666 acres) of land each. We also have established considerable numbers of industrial production units, and many engineering corps for the repair of conservation works, the building of railways, the felling of timber, and the construction of buildings for the state.

Among the more notable projects of this kind reported in recent years have been extensive construction programs on the Hwai River and Ching-chiang (a section of the Yangtze).

In line with their divergent attitudes toward the use of underemployed labor, the two countries quite naturally hold different views on the effect of population growth. The Indian Planning Commission advocated a slowing down of the rate of population growth—lest an increase in numbers completely offset any increase in national income, leaving the people no better off. In China, on the other hand, there has been no visible indication of a policy to curb the growth of population, although the reported rate of increase—2 percent per annum—far exceeds the corresponding rate in India. No expansion in the rate of investment will be possible, given unbridled population growth, unless per capita consumption is increasingly reduced and forced labor exploited quite regardless of human cost.

Finally, the Indian plan differs from the Chinese in that external assistance plays a far more important role in the former. External assistance authorized up to 1954 totaled Rs. 2.342 billion (about US $500 million), half of which consisted of outright grants. This sum amounts to more than 11 percent of the planned expenditure on development for the five-year period.

In the case of China, the annual volume of external assistance is estimated at US $117 million for the 1954-59 period and about half of this sum for the 1953-54 period. This assistance, provided by the Soviet Union, is in the form of loans which must be repaid. It represents only about 5 percent of the country's investment in 1953 and will certainly be less than 10 percent in later years. The result is that while India may count upon a larger share of foreign assistance for an absolutely smaller volume of investment, Communist China must rely primarily on its own resources for a more ambitious program. Again, it is the masses of Chinese people who must pay.

In spite of the basic similarity of their respective economic problems and the outward resemblance of their plans, there is little doubt that India and China have chosen to follow two different roads in their economic development. India has seen fit to develop its economy without depressing its living standard below the level prevailing prior to the plan. China, on the other hand, has decidedly selected the path which was blazed by the Soviet Union. The Indian plan hopes to raise the tempo of development in a later phase when the country can better afford investment on a larger scale. The Chinese plan aims at a high rate of investment at the start—quite regardless of the country's impoverished economy.

India, then, looks upon economic development as the way toward a better life for its people. Why, one must ask, has China adopted the opposite policy of "austerity" and "bitter struggle" when its people are also in immediate and often desperate need?

There are undoubtedly a number of factors. One is ideology: the regime is committed to the achievement of Bolshevik-style collectivism, and hence cannot afford too great tolerance for the kind of individualism which a small peasant proprietor economy is likely to encourage. It is likely, too, that China finds it desirable to strengthen as rapidly as possible its relative independence, power and capacity for initiative within the Sino-Soviet alliance. And in terms of the "cold war" and Chinese ambitions in Asia, Peiping undoubtedly sees the need for building an industrial complex capable of supplying modern weapons and military equipment for the use of its armed forces.

Production Records

According to official Communist Chinese claims, the output of China's modern industry, including mining, increased by 60 percent during the first two years of the plan, in comparison with 1952. Industrial production in India, on the other hand, rose by 33 percent from 1950 to 1954. While these statistics are not entirely comparable and in the Chinese case may very possibly be exaggerated, still the greater relative increase in China clearly reflects its heavier emphasis on industrial expansion in the narrow sense.

In the field of agricultural production, however, the output of food grains in China probably declined by 4.3 percent, and cotton production by 1 percent, between 1952 and 1954. In India, on the other hand, the index of food grains production was 112.2 in 1952-53, and 129.0 in 1953-54 (1950-51 = 100). The index of cotton production in India, using the same base year, was 107 in 1952-53, and 134 in 1953-54. With this increase in production, India was able to reduce imports and relax controls of consumption. Exactly the opposite development took place in China.

It is noteworthy that even in industry, per capita 1954 production in China (as revealed by Chou En-lai's recent report) compared unfavorably with corresponding data for a number of commodities in India during 1953-54. The striking fact is that not only does India have more of such commodities as cotton yarn and cloth per person, but also more finished steel products and cement per person. In short, so far the more rapid pace of industrialization in China has not been able to rival India's present-stage of development on a per capita basis, even within the industrial sector in which China has concentrated its investment program.

The situation is still more unfavorable in Chinese agriculture, where the Communists' stepped-up program of forced "co-operativization" has run into considerable resistance since the conclusion of the so-called "land reform". Not only have landlords been deprived of their property without compensation, but land reform procedures have been used to destroy them as a class and to consolidate Communist control over the countryside.

In India the procedure is quite another thing. Landlords are compensated for their losses, and at the same time community projects bring different classes together on a voluntary basis. There is no encouragement of hatred or violence: the aim is to improve society as a whole rather than to favor one segment of the population over another.

In official pronouncements, China has attempted to blame the lag in agricultural production on unfavorable weather conditions, including the severe flood of last year. In fact, insofar as flood damage has adversely affected production, it only further testifies to the inadequacy of the water conservancy measures undertaken in recent years with forced labor. Since future progress in China's industrialization program is predicated upon large exports of agricultural products, it is not inconceivable that the country's comparative position in per capita industrial production vis-a-vis India may deteriorate.

The Sum of the Choice

The above review of economic developments in India and China may be summarized as follows:

First, India has deliberately chosen a slower rate of investment than China in order not to impose an unbearable burden on the people and their living standard. As a result, per capita consumption in India has improved, while that of China has deteriorated.

Second, India has decided upon a broad pattern of development instead of concentrating its efforts in heavy industry. This, together with its peaceful measures of land reform, has led to some impressive gains in agricultural production, which contrast sharply with developments in China.

Third, India has refrained from the employment of forced labor, which has become a mainstay of China's industrialization program.

Fourth, even in the industrial field, the more rapid relative advance of industrial output in China has not been large enough to enable its production of many commodities to match that of India on a per capita basis.

Fifth, India has been able to obtain relatively more foreign financing for development purposes than China.

Finally, these differences between the economic developments of the two countries can only be explained by the divergent political purposes which inspired their respective plans, the different political systems of the two countries, and the international situation as a whole.

If some third underdeveloped country had to choose between the two types of development programs, three points would have to be determined at the outset. First, to what extent should a population be limited in its consumption and for how long? Second, by whose authority and mandate should such decisions be taken? Third, should the population of a country, in choosing the path of industrialization, have the privilege of changing its mind—and hence, its government?

Other factors being equal, it would be better, of course, to carry out industrialization rapidly. But other factors are not equal: rapid industrialization can be achieved only at frightful human cost—a cost in suppression and suffering which no democratic government would readily exact.

It appears, then, that Communist planners in China have been able to increase national production at a faster rate than Indian planners under a mixed system—but at a high cost in deprivation, regimentation, and isolation of the Chinese people. The Communists undoubtedly are intending to play a serious and competitive role in the development of economically retarded areas; they will help each other and at the same time look for new "customers". As a consequence, those who—like the Indians—are trying to develop their countries without sacrificing human liberty or human life will need and deserve the help of other free nations in the world.

OVER-POPULATION IN EAST ASIA

By Dr. H. D. Fong

(Deputy Director of the Research and Planning Department of ECAFE)

The scope covered by ECAFE includes Afghanistan, Brunei, Burma, Cambodia, Ceylon, China, Hongkong, India, Indonesia, Japan, Korea, Laos, the Malayan Federation, Nepal, North Borneo, Pakistan, the Philippines, Sarawak, Singapore, Thailand and Vietnam. The total area of these countries is 7,600,000 square miles—occupying one-seventh of the world's area. The population is estimated at 1,200,000,000, which is one half of the world's population. ECAFE countries therefore have a very high density of population, averaging 160 persons per square mile—as compared with the world average of 47. The number one economic problem in ECAFE countries is, therefore, over-population, and with this its consequent effects of unemployment, low productivity, low standard of living and prevalence of poverty. This problem is aggravated by the fact that the present population of ECAFE countries is fast increasing—at the rate of 16 per 1,000 persons every year, adding a total of 20,000,000 mouths each year for which it is becoming increasingly difficult to find the required means of subsistence.

Planned parenthood is one way out of the problem. Another way out is migration. With the growth and extension of restrictive legislation against Asian immigration in non-Asian countries, it is no longer possible for Asian people to migrate beyond the Asian continent. Further, in postwar years, even the less densely populated ECAFE countries, in tropical South-East Asia, are finding it necessary to pass restrictive legislation against Asian immigration from the more densely populated countries, e.g. China and India. This leads us to the consideration of a third alternative solution to over-population, namely, industrialisation. One index of industrialisation is the proportion of contribution to net national income from the manufacturing industries, which is estimated to reach, around the fifties, 46 per cent for the United Kingdom, 38 per cent for the United States, 33 per cent for Japan, 17 per cent for India and 15 per cent for Thailand. In contrast, agriculture contributed only six per cent to the net national income in the United Kingdom, seven per cent in the United States, 22 per cent in Japan, 48 per cent in India and 57 per cent in Thailand. With industrialisation, it is possible, as in the United Kingdom, the United States and Japan, to feed a large number of people at an improved level of living.

The main obstacle to industrialisation in ECAFE countries is, however, lack of capital formation. Without capital formation it would not have been possible to bring about industrialisation, which implies capitalistic mode of production, whether under a system of socialism or under a system of private enterprise. Industrialisation, from the viewpoint of the region, would call for a great deal of inter-governmental planning and co-operation, in order to achieve maximum benefits for the peoples concerned. This is important for ECAFE countries in particular, as their economy is largely competitive rather than complimentary. Except Japan, and to a much lesser extent, China and India, industrialisation has barely begun, and the economies of ECAFE countries are largely agricultural exporting raw materials and foodstuffs in exchange for the manufactured goods imported. In the postwar years there has been rightly a desire on the part of many countries to promote industrialisation, and to develop, for example, cotton textile industries. Many countries or areas in the ECAFE region, formerly dependent on cotton textile imports, are now self-sufficient in this commodity, and have even a surplus for export. To mention but a few examples, we may cite the new cotton mills already established in Pakistan, Hongkong, and Taiwan. In Hongkong, cotton textile industry is the largest, whether measured by the value of the products exported or by the number of people employed. Yet from the viewpoint of the region, there arises the problem of over-capacity for the cotton textile industry as a whole, over which it would be desirable for the countries concerned to get together and find a satisfactory way out.

In this vast but difficult field of inter-governmental co-operation in industrial development, the regional economic commissions under the United Nations are playing an increasingly useful role. The Economic Commission for Asia and the Far East, ever since its establishment in 1947, has been looked upon as an effective and favoured instrument for further economic development of the countries in the

PHILIPPINE ECONOMIC DEVELOPMENTS: FIRST QUARTER 1955

Since the greatest gains from international trade are normally made from February to May of each year, the country's international reserve position usually is at its highest in April and May. During the first quarter of 1955, however, the country's international reserve not only failed to make its first quarter rise but reversed the usual trend through a continued decline from its December level reaching $254.19 million at the end of March. This is 6.8 percent below the level at the beginning of the year and 19.3 percent lower than that of the comparable period of the previous years.

Whereas, in the first quarter of 1954, the country accumulated a net foreign exchange receipt of $18.9 million, the first three months of the current year registered a deficit of $17.3 million. This unfavorable movement may be accounted for by the failure of export receipts to rise to its normal peak and the unusually large increase in import payments. Price declines suffered by copra and sugar and the shortage of shipping space caused the abnormal decrease in export receipts. On the other hand, import payments for the first quarter of 1955 showed an increase of $24.4 million over the level of the comparable period of 1954.

Money supply appears to be unaffected by the decline in international reserve. While the January figure of P1,209.9 million was 1.4 percent below the December 1954 level, the decline was still less than the normal seasonal fall from December to January of about 1.8 percent. Tentative figures for February indicate that money supply is taking its usual seasonal rise during the first quarter of 1955.

The continued expansion of domestic credits seems to have sustained money supply in the face of a declining international reserve. From $1,341.2 million at the end of December 1954, domestic credits rose to $1,363.1 million in January and $1,385.7 million at the end of February. However, the cash position of different commercial banks suffered a contraction of $22.2 million during the same period primarily due to the repayment of bank loans and the excess of foreign exchange purchases over foreign exchange sales to the Central Bank.

The National Government was another contractionary factor of money supply. Its cash position at the end of March rose by $7.13 million from the level at the end of the preceding year. This improvement was reflected in the substantial increase registered in the special accounts deposited with the Philippine National Bank. Similarly, cash in the Treasury vaults showed a slight increase of P1.36 million but deposits with the Central Bank suffered a decline of P5.51 million, arising from budgetary expenditures.

In general, prices during the first quarter of 1955 moved downward. The consumer price index in Manila fell 1.9 percent compared to the level during the last quarter of 1954 but remained 0.5 percent above that of the comparable quarter a year ago. Food prices were 4.0 percent below the fourth quarter of 1954 average but remained 2.0 percent above the average for the first three months of the same year. The decontrol policy on flour, milk, squid, sardines and salmon adopted by the Monetary Board was primarily responsible for the downward fluctuation in the price of food items. In the stock market, the over-all price level rose 3.6 percent.

Following normal trends, the over-all construction value for the first quarter of the current year rose by 37.5 percent compared to the last quarter of 1954. This was made possible by the work started on many commercial buildings involving substantial costs, especially during the months of February and March.

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region. Committees, subcommittees, conferences, expert working parties, and other ad hoc subsidiary bodies have been established, thus developing an effective technique for carrying out much of its technical and economic activities. The work of the subsidiary bodies in their respective fields has had its impact upon the policies of the governments and has resulted in the promotion of appropriate action. Industrialisation in ECAFE countries could proceed more smoothly and effectively through inter-governmental consultation, planning and co-operation. This would, inter alia, help to avoid over-capacity in one field, and under-development in others. The regional economic commissions under the United Nations are increasingly helping to bring the governments together in their common effort towards industrialisation.

THAI RUBBER INDUSTRY

An improved position for Thailand in the world rubber market is foreseen with the opening of the Department of Agriculture's new pilot processing plant at Kohong, Songkhla Province. The new plant, which was formally dedicated by Prime Minister Pibul Songgram, was constructed with the aid of machinery and equipment supplied through the American aid office in Thailand and with the advice and under the direction of William Lloyd, FAO rubber expert. The plant is to be used to demonstrate methods of producing high quality rubber economically through use of modern machinery and techniques, and to begin manufacture of such premium-priced products as white crepe and concentrated latex, not now being produced in Thailand.

In the past, Thailand's rubber has been of generally low quality compared with that produced in such countries as Malaya and Indonesia, and consequently has not been able to command top prices in world markets.

Operation of the new plant will result in several major benefits to growers and to Thailand. Small growers will be able to dispose of their latex for immediate cash at very high prices; they will be relieved of the work of processing and smoking their own rubber, which must now be done under conditions making it difficult or impossible to maintain high quality; any profit made by the plant at Kohong will be returned to growers through their co-operative associations, and the economy of the Kingdom will benefit through higher prices for exports and a greater demand for Thai rubber in world markets. Benefits of the Kohong plant will be extended thoughout the rubber growing areas of Thailand by means of training schools and demonstrations to introduce modern techniques to growers and to operators of other processing plants. In addition to operating the pilot plant, the Rubber Division of the Department of Agriculture maintains extensive nurseries and experimental stations to make improved trees available to rubber planters.

The Kohong processing plant, which has been under construction for more than two years, includes machinery and equipment valued at $70,000 supplied by the United States through FOA. Other equipment, buildings and installation were financed through the Thai Government counterpart fund at a cost of Bhat 650,000. A new laboratory now being developed will carry on continuous tests to maintain quality and classify rubber according to its required qualities, resulting in a further increase in its value. The new technician will also assist the Thai Government, in the eventual creation of rural industries using rubber as raw material.

The next stage in the development of the Kohong plant will be the production of concentrated latex, a product in wide demand throughout the world for manufacture of sponge rubber, foam rubber, rubberized fabrics, and other products. None is now being produced in Thailand.

Although rubber production is confined to a relatively small part of Thailand, it is becoming increasingly important to the economy of the country. Exports increased from 97,000 long tons in 1953 to 118,000 tons in 1954, and due to higher prices its value was almost double. Its export value is now equal to about one-third of that of rice and, because nearly all is sold in the United States, it is an important source of dollars. Furthermore, Thailand is one of the few rubber producing countries in the world where conditions of political stability and undeveloped land resources make possible a significant increase in production during the immediate future. This may come about if the quality of Thai rubber is improved to the extent necessary to create a demand in the markets of the world.

Latex to be processed at the Kohong plant is purchased from nearby growers, through co-operative associations. At present, enough to produce about 500 kg. of rubber per day is being obtained from an association at the village of Nam Nai, but it is expected that the output will soon be stepped up to 1,200 kg. of rubber sheet and 500 kg. of crepe rubber per day. As latex from growers is received each morning, it is strained into sanitary stainless steel tanks. A small sample is taken from each grower's output, to be scientifically tested so that the price may be based on actual quality. The latex then goes into large-capacity track-mounted coagulating tanks, and then to the machines which process it into either sheet rubber or crepe. All operations are based on the "production line" principle, resulting in maximum efficiency with a minimum expenditure of labor.

Processed sheets are placed on track-mounted racks and wheeled to accurately controlled smoking sheds. The result is rubber of uniformly high quality. Part of the rubber is processed into white crepe, the quality of which is maintained by the use of chemicals and forced air drying.

FREE CHINA'S AIRCRAFT INDUSTRY

CAT's Maintenance facilities in Tainan, which were reorganized as the Asiatic Aeronautical Company Ltd. on March 1, 1955, have been internationally famous since receiving an Air Agency Certificate from the U.S. CAA last August making it the first and only U.S. CAA approved repair station in the Far East. The prestige of these facilities was farther enhanced when it was granted a contract to service C-119 "Flying Boxcars" of the U.S. Air Force. This is one of the only two contracts awarded by the USAF to civil air agencies outside the United States. The other agency to receive a similar contract is the Sabena Airlines of Belgium.

In December 1951 firm negotiations were opened with FEAMCOM (Far East Air Material Command) for the overhaul of 8 C-46 aircraft. The contract eventually awarded became known as Project MS-1 and led to spreading the word about CAT maintenance far beyond the Far East and to the eventual award of a contract for the overhaul of the C-119—the present prime USAF cargo aircraft, and a far cry from the C-46.

A total of 73 C-46s had been overhauled at the date the final one left on 7 December 1954, the first contract having been immediately followed by another, known as MS-4, under which 65 aircraft were done; 26 on "DIR" and 39 on "IRAN".

For the benefit of those "not in the know" it should be explained that under the "DIR" (Depot Inspection & Repair) system the aircraft was completely rebuilt, while under "IRAN" (Inspection and Repair As Necessary) the work involved is less, since only essential repairs requested as a result of USAF inspection are made. This new work concept came into force toward the end of 1953 and applies to all work being done at present; it is the result of much study by the USAF and is designed to spare the taxpayer the cost of unnecessary work.

It is of interest to note that under the USAF system of routing an aircraft for major repair every two years, 11 C-46s which had been previously DIR'd by CAT came back for IRAN. The first of these left CAT after DIR on 23rd May 1952 and left again after IRAN on 22nd May 1954. It is interesting to note that the second visit was assigned to the same Crew Chief, Mr. M. T. Tye, who had been responsible for the aircraft in 1952.

During the period in which C-46 aircraft were being overhauled for the USAF, the man-hours expended on the project rose from approximately 16,000 per month to a "top-score" of 54,300 in August 1954. At present, with the change-over to later type aircraft the figures have fallen away a little, but they are expected to increase soon.

The contracts on which the Plant is currently engaged, known as MS-11 and MS-12, call for the IRAN of C-54 and C-119 aircraft respectively. The C-54s constitute no great problem, though by reason of the flying hours they have done—generally 10,000-12,000—they represent quite a lot of work. On the other hand, the C-119, designed in 1945 to meet an Air Force specification and, therefore, very modern as aircraft in service go, incorporates many ideas which are new to AACL mechanics, though the flying hours done—some 400 hours usually—means that they are still in almost pristine condition.

Perhaps the major headache on the C-54s is the desealing and resealing of the integral fuel tanks when required. The integral tank is part of the wing structure and, by doing away with separate tanks installed in the wing, saves much weight. It must, however, bear the same loads and flexures as the wing itself and the sealing compound must not only retain fuel but must "give" with the wing without fracture or leak. This phase of IRAN, when called for, represents an additional man-hour expenditure of some 7,000 hours, or more than one quarter of the total hours spent. The work must be done thoroughly or it should not be attempted and there are many points to be watched.

The C-119 program has introduced many problems of its own, not the least being the supply of parts, components and tools. The C-119 is a purely military aircraft and all the spares which the Fairchild Aircraft Division (its manufacturers) have produced, have been purely for the USAF. Consequently every single item, with the exception of materials such as sheet metal, electric wire and similar common items, has to be procured through Air Force channels. This has meant that the Supply Division has had to set up a new warehouse building for Government Furnished Parts and work a new system of ordering supplies into its normal routine. Mr. George Morrison, the Assistant Supply Manager, says that the Requisition Section, under the supervision of Mr. Y. S. Hsu, will be quite capable of handling the ordering of the 4,000 or so items involved and that the same status information can now be given on parts requisitioned from the USAF as has been given for so long on normal commercial orders.

As far as the Aircraft Maintenance Division is concerned the Director, Mr. Allan Wueste, anticipates no difficulty. Both he and Mr. Nixon concur in stating that the airframe involves no new techniques, though the application of well-known methods is, in many cases, new. They both point out that many of our mechanics have twenty or more years continuous aviation experience behind them and their efficiency compares more than favourably with that of mechanics anywhere in the world. They consider that an average CAT mechanic will do more work in one hour than most, and Mr. Nixon is particularly keen to draw attention to the fact that the Chinese are always eager to learn.

Mr. W. T. Sturgess, as Manager of Customer Service, was closely concerned with the negotiation of these contracts and USAF liaison in connection therewith. He agrees that the length of time for work on the aircraft which is allowed in the contract terms is quite adequate and considers that once the crews settle into the work and a good flow of parts and accessories is established, each aircraft will take fewer than the permitted man-hours to complete.

The man directly responsible for getting the work done is Mr. A. B. Austin, Manager, Contract Service Section. He has recently returned from the Fairchild School, where he attended a course on the C-119 and also visited the Hayes Aircraft Corporation which does the C-119 IRAN work in the USA. From what he saw and learned "Stateside" he is certain that the work upon which his crews are now engaged presents no great difficulties for them and that aircraft repaired by CAT will be equal to, if not better than, the American job.

No new techniques are involved but the applications of the old ones are sometimes extremely strange to our personnel. Electrical systems, especially, are far more complicated than on the C-46 or C-54, and the Superintendent of Training, Mr. T. C. Koo, has a heavy load of instruction work to carry out. Through the good offices of the USAF and FEALOGFOR (Far East Air Logistics Force), Mr. Koo was able to attend a course of familiarization on the C-119 at a Mobile Training Unit in Japan and has been able also to make Training Films available to AACL. Since his return he and his assistant, Mr. Y. C. Yeh, have been busily engaged on instructing mechanics and supervisory staff on the various systems involved.

The Electronics Maintenance Department did, in fact, have a surprise when the first C-54s arrived fitted with Search Radar. They, too, are the only people who have come up against what is, to some extent, something really new, inasmuch as the C-119s, being late model aircraft, have later radio equipment, including Ultra High Frequency (UHF) transmitter/receivers, which include many advanced techniques. The UHF equipment is the first seen and the later models of DME (Distance Measuring Equipment) contain more in "the black box" than the ones we are used to. But, as Mr. W. F. Henderson, the Director of General Maintenance and concurrently the Chief of the Electronics Maintenance Dept., points out, since the average experience in electronics of our personnel is 10 years and some 50% have degrees from various Chinese Universities, a little study by themselves and some leads from their supervisors quickly put them on the right track. At the moment, the greatest requirement is for suitable test equipment and when this is forthcoming from the USAF, the department will be well set up.

Generally speaking, those concerned anticipate no trouble in reaching a monthly output of completed aircraft as high as was attained on C-46s.

It is interesting to note that at the time that CAT was negotiating the C-119 contract in support of the 315th Air Division in the Far East, SABENA Royal Belgian Airlines was negotiating a similar IRAN contract in support of the USAF in Europe. It is believed that SABENA's contract was actually signed a few days before CAT's but at least we know CAT was one of the first two firms in the world outside the continental USA to be awarded such a contract for the C-119.

That this should be so is due to two main causes; firstly, cost and secondly, CAT's reputation for first class work. It has been calculated that to fly a C-54 to the States for IRAN and back would cost about US$10,000 and it may be assumed that a C-119 would cost about the same. Also it is believed that the overhaul costs in Taiwan are such that US$2.00 will buy as much or more work as US$5.00 in the USA. There is thus a very great incentive for FEALOGFOR to have maintenance performed in the Far East provided there is available a company capable of doing the work to the exacting standards of the USAF.

Mr. R. C. Reed, Fairchild Technical Representative assigned on this contract, stated recently: "When the company called me about this new assignment I was at an Air Force Base where there were quite a few of the men who flew the original C-119s over here in 1950 after the Korean break-out. Everyone of those men who learned that I was coming over to work with the C-119 Contract that CAT was going to do had nothing but praise for the work that CAT had done on the C-46s." And he further remarked, "It's a little unusual for all Air Force personnel to have nothing but good to say about aircraft maintenance."

HONGKONG NOTES

POST OFFICE SAVINGS BANK

The HK Civic Association is studying the question of the establishment in Hongkong of a Post Office Savings Bank. In a letter written to the Exchange banks and other large banks in the Colony, the Association pointed out that such facilities are available in Singapore through the Singapore Post Office Savings Bank, which permits deposits and withdrawals at any Post Office there and offers depositors an interest rate of 2½% per annum. As of 31st December 1954, the amount standing to the credit of depositors with the Singapore Post Office Savings Bank was approximately Straits $54 million. The Post Office there also provides a Students Saving Scheme. The Association is confident that the promotion and expansion of this facility here will give small investors maximum security, minimum restriction plus a reasonable annual interest.

DRY ICE

A. S. Watson and Company is now manufacturing dry ice (solidified carbon dioxide) at their North Point factory. The production capacity is about 200 pounds an hour. Distribution of the dry ice has been undertaken by the Dairy Farm Ice and Cold Storage Co., Limited. Dry ice is about 140 degrees Farenheit colder than the ordinary variety. While water turns into ordinary ice at plus 32 degrees, carbon dioxide solidifies into dry ice at minus 109.3 degrees Farenheit! Volume for volume, dry ice has about five and a half times the refrigerating powers of ice. This is because dry ice, in "melting," reverts to its original gaseous state. The gas, which is barely above the freezing temperature of the solid, spreads right through the refrigerating container and acts as an insulator. Dry ice also prevents bacteria, as most forms of germs cannot live without oxygen. All this, in addition to the fact that it does not melt into water, has made dry ice preferable to the ordinary ice for refrigeration.

NEW BUILDING PROJECTS

Government has approved plans for the first stage of the re-development of the resettlement area at Shek Kip Mei where a big fire on Christmas night in 1953 made thousands homeless. This calls for the erection of three seven-storey blocks on a site which will be made available by the cutting away and levelling of a spur at the northeastern end of the estate. The intention was that the fire victims, who were temporarily re-housed in two-storey cottage-type buildings, should ultimately be resettled in more permanent structures. The work at the first stage of the re-development involves the cutting and removal of about 70,000 cubic yards of material to provide a site for the construction of three multi-storey blocks. Work on the site formation is expected to take about three months and actual building will begin as soon as the site is ready. The whole scheme should be completed by next April.

The Union Building will be pulled down next year. Occupants have recently been notified by HK Land Investment & Agency Company, Limited to vacate the premises before February 1956. A new multi-storey building will be erected on this site.

FISHING STATISTICS

Last week a reader pointed out that the "Review of Hongkong 1954" published by this Review (May 26) contained serious errors in its statistics on Fishing. The 1954 catch given on page 83 was 39,510 tons compared to 31,439 tons in 1953. Converted into piculs: 1953—519,000 piculs; 1954—652,000 piculs. On page 86 this Review published that the catch for 1954 totalled 554,000 piculs representing an increase of 136,000 over the previous year. Therefore, the 1953 figure should be 418,000 piculs. This matter was taken up with the Cooperative and Marketing Department which confirmed that the figures published by this Review were "quite correct." However, it should be pointed out that the figures given on page 83 refer to total landings and include the weight of both fresh and salt/dried fish, whereas the figures given on page 86 apply, as stated, to fresh fish landings only. Details of fish sold through the Fish Marketing Organisation during 1953 and 1954 are as follows:—

	1953	1954
Fresh Fish	418,590 piculs (24,916 tons)	554,449 piculs (33,003 tons)
Salt/dried fish	109,594 piculs (6,523 tons)	109,320 piculs (6,507 tons)
	528,184 piculs (31,439 tons)	663,769 piculs (39,510 tons)

ENTREPOT TRADE IN CAPITAL GOODS IN HONGKONG

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An appreciation of the role of capital goods in Hongkong entrepot trade requires, firstly, a review of the immediate past and present situation, and secondly, an analysis of the forces which are likely to shape the size and structure of this trade in the future.

The following table will serve the first purpose. It comprises 23 items which together constitute the bulk of capital goods imported and actually exported from Hongkong during 1953 and 1954.

VALUE OF THE MAIN IMPORTED CAPITAL GOODS EXPORTED FROM HONGKONG IN 1953 AND 1954

(Note.—All exports to China were of non-strategic items)

	Items	Chief Suppliers 1953-1954	Chief Buyers 1953-1954	Value of Exports H.K.$ million	
				1953	1954
1)	Electrical and radiological apparatus for medical purposes	Germany U.K. Netherlands	China Macao Malaya S. Korea	17.5	2.6
2)	Optical instruments and appliances	Germany Japan Italy U.K.	China Indonesia Malaya	15.1	2.5
3)	Textile machinery	Japan U.K. Switzerland	China Philippines Indonesia Formosa Indochina Malaya	14.5	9.0
4)	Handtools, tools for machinery and hand implements, including agricultural	Germany U.K. Japan France U.S.A.	China Indonesia Formosa Malaya Thailand Indochina Macao	12.9	3.8
5)	Office machinery (typewriters, accounting, book-keeping, calculating machines, cash registers, etc.)	Germany Italy U.S.A. Japan	China Formosa Philippines Malaya	12.8	1.8
6)	Measuring, controlling and scientific instruments	Germany U.K. Japan	China Indonesia Malaya Philippines	8.2	2.3
7)	Sewing machines	Japan U.K. U.S.A.	Indonesia Indochina S. Korea	7.7	8.4
8)	Surgical, medical and dental instruments and appliances (other than electrical)	Germany Japan	China Indochina Macao	6.3	1.6
9)	Radio apparatus for telegraphy, telephony, television and radar	U.K. Netherlands U.S.A. Australia	Japan Formosa Malaya China	4.0	0.5
10)	Sheet glass	Japan Eastern Europe China Belgium	Indonesia S. Korea Thailand	3.8	2.8
11)	Nails, tacks and spikes of all base metals	Japan China	Indonesia Thailand	3.6	0.7
12)	Zinc coated plates and sheets	Japan	Indonesia S. Korea	3.2	2.9
13)	Conveying, hoisting, excavating, road construction and mining machinery	Japan U.K. Germany	China India U.S. Oceania	3.0	0.5
14)	Aircraft engines	U.S.A. U.K. Canada	Indochina Japan Malaya	2.2	2.8
15)	Various small machinery and appliances other than electrical	U.K. U.S.A. Japan Germany	Indonesia Malaya Formosa Indochina Philippines Thailand China	2.0	5.9
16)	Pipes and fittings	U.K. Japan	China Macao Formosa	1.8	0.3

Items	Chief Suppliers 1953-1954	Chief Buyers 1953-1954	Value of Exports H.K.$ million 1953	1954
17) Iron and steel bars	Belgium Japan U.K. France Germany	Indonesia Formosa Thailand S. Korea	1.4	0.5
18) Aluminium foil	Germany	Indonesia Formosa	1.3	0.2
19) Machine parts and accessories	U.K.	China Malaya Formosa Philippines Thailand Indonesia	1.3	0.9
20) Printing and bookbinding machinery	U.K. Germany Japan Netherlands	Indochina China Thailand Formosa Indonesia Malaya	1.3	2.3
21) Finished structural parts made of iron and steel	U.K. Belgium	N. Borneo U.S. Oceania Macao Formosa Malaya	1.2	0.6
22) Bolts, nuts and washers of all base metals	U.K. Japan Belgium Germany	Malaya Indonesia Thailand	1.1	1.5
23) Steel tubes and fittings	U.K.	Macao Formosa S. Korea Thailand Indochina	1.0	1.5
		Total	127.2	55.9

The above list includes only those capital goods exported from Hongkong in 1953 whose value exceeded HK$1 million. It does not cover, therefore, minor items, such as iron and steel wire cables and ropes; internal combustion engines; metal-working machinery; ball bearings and roller bearings; electric transformers; electrothermic apparatus; apparatus for measuring and controlling electric energy; electric signalling and safety apparatus; parts of aircraft, etc. The total value of entrepot trade in these goods did not amount to much more than HK$3 million both in 1953 and in 1954.

In 1953, the total export value of the goods listed in the table was HK$127.2 million. This figure, if combined with the small items mentioned in the last paragraph, gives a rough total of approximately £8 million. The total value of exports, less the value of locally manufactured goods, amounted in 1953 to about £120 million. Thus the share of capital goods in the Colony's entrepot trade in 1953 was about 6½ per cent. Obviously, therefore, in 1953 the importance of entrepot trade in capital goods in Hongkong was small.

The situation in 1954 indicated that the changes in the entrepot trade in capital goods were not encouraging. Whereas the total level of the Colony's entrepot trade in 1954 fell by 17% below the 1953 level, the value of entrepot trade in capital goods declined by 56%. This kind of entrepot trade, therefore, constituted only 3.2% of the total value of the Colony's entrepot trade in 1954.

During the last two years, the main participants in the Hongkong entrepot trade in capital goods were, on the sellers' side, Japan, the United Kingdom and West Germany, followed by Belgium, the U.S.A., Switzerland, Netherlands, Italy, France, Sweden, China, Australia and Canada; on the buyers' side, there was China, followed by Indonesia, Indochina, South Korea, Formosa, the Philippines, Thailand, Malaya, Macao and North Borneo.

In 1953, Germany, Japan and the United Kingdom were the three main suppliers. The values of the capital goods imported from these countries were $54.5 m., $52.5 m. and $47.5 m. respectively, whereas the figure for the U.S.A., which came fourth in the list, was only $6.7 m., i.e. about one-eighth of that of Germany, the largest supplier. The other countries were all below $7 m. and in many cases below $1 m.

In 1954, the United Kingdom and Japan still took the lead in capital goods, exporting to Hongkong $31.9 m. and $31.4 m. respectively, while the value for Germany dropped from $54.5 m. to only $9.6 m., due to the decline in the value of export of electric apparatus for medical purposes, radiological apparatus and optical instruments. The U.S.A. and France maintained their level. Belgium and China acquired increases. For Belgium, the relevant figure increased from $3.7 m. in 1953 to $9.9 m. in 1954, while for China it increased from $0.3 m. to $2.2 m.

On the buyers' side, China's demand was by far the greatest. In 1953, the export to China of capital goods included in the above table was $82 m. which represented about 65% of the total, whereas Indonesia, which came second, imported from the Colony only $16 m., approximately 13% of the total. The other Far Eastern buyers (Indochina, the Philippines, Thailand, etc.) were of much smaller significance. However, the situation underwent a great change in 1954. The figure for China dropped from $82 m. in 1953 to $16 m. in 1954. The demand of Indonesia dropped from $16 m. to $11 m., while that of South Korea increased from $0.6 m. to $6.8 m. The changes in the demand of other countries were of no great significance.

The table reveals in detail the latest position in respect to various kinds of capital goods. It shows that in 1954 only in the case of a few items was the 1953 level surpassed. These are: printing and book-binding machinery; various small machinery and appliances, other than electric; steel tubes and fittings; sewing machines; aircraft engines; bolts, nuts and washers of all base metals. In 1953 the total value of these items formed about 12% of the total value of capital goods exported. In 1954 this percentage increased to 40%, indicating a significant change in the structure of entrepot trade in capital goods in the period under review. Another illustration of this change is the rise in the value of exports of ships and boats, which in 1953 was below $1 m. and in 1954 increased to $2.4 m.

These were mainly British and Australian vessels exported to North Borneo, Indochina, Malaya, South Korea, and the Philippines. This item may, in future, increase further in importance with the development of the policy of enlarging the fishing fleets of Far Eastern countries.

A glance at the 1953 figures proves that the largest combined item was that comprising surgical, medical, dental, optical and various scientific, electrical and non-electrical instruments, apparatus and appliances. In 1954, all these items suffered a great decline in value. Although there was increasing attention devoted to health and medical care in most Far Eastern countries, the main prospects depended on the demand from China which decreased greatly. Germany was the main supplier of these goods in 1953-1954, and with Japan as the second important competitor, British producers of these goods will have to fight hard in order to maintain or improve their position. In the second largest item, textile machinery, Japanese industry also overtook the British in 1954. In this case, however, the prospects for British industry are probably much better, especially if the drive for the development of textiles in many Asiatic countries continues. Similar considerations apply to the prospects of the British industry supplying various hand-tools and implements as well as tools for agricultural and other machinery. So far as office machinery and sewing machines are concerned, Britain meets strong competition not only from Germany and Japan, but also Italy and the U.S.A. In the trade in sheet glass, nails, tacks and spikes, iron and steel bars, bolts, nuts and washers, it seemed that Japan had the monopoly in 1953; but in 1954 she had to face competition from China and Belgium in the sheet glass field, of China again in nails, tacks and spikes, and finally of the United Kingdom, France and Germany in iron and steel bars. Somewhat better was the British position in 1954 in the case of conveying, hoisting, excavating, road construction and mining machinery, finished structural parts made of iron and steel, pipes and fittings, and various machine parts and accessories.

It is well known that the demand for capital goods usually fluctuates widely. This can be seen from such items as radio-apparatus for telegraphy, telephony, television and radar sent mainly from the United Kingdom and the Netherlands to Japan and other countries through Hongkong. In 1953 this item amounted to HK$4 million; in 1954 it declined to HK$0.46 million. Another typical case in point was that of aircraft engines which in 1953 and 1954 were delivered through Hongkong mainly to Indochina from the U.S.A., the U.K. and Canada. With the cessation of hostilities in Indochina there seems to be little hope of maintaining this line of entrepot trade. On the other hand, reconstruction policy in Indochina, in a similar way as in South Korea, may stimulate entrepot trade in other lines.

With this last observation we have already embarked on the prognosis of future development. The future of the entrepot trade in capital goods in Hongkong depends mainly on such unpredictable events as political changes, natural calamities, need for rearmament or for post-war reconstruction, changes in technical methods, discovery of new raw materials, etc. The success of Hongkong merchants in the past has been due to the fact that they were always very sensitive to such changes, switching quickly from one line of business to another, often perhaps unnecessarily speculative, but constantly firm in their fight for economic survival on the barren rock which in the course of a century has been transformed into one of the most busy trading centres of the world. As long as this traditional merchant-adventurer attitude persists in the Colony, her entrepot trade will continue, but it must be remembered that the trade in capital goods requires a great deal more specialised knowledge than the trade in consumer goods and thus new opportunities may often be missed by Hongkong dealers. On the other hand, there is little doubt that the future will provide such opportunities for specialised Hongkong middlemen in capital goods. Korean reconstruction and the war in Indochina serve as the most recent examples of factors which considerably affected the trade in capital goods through Hongkong. Manufacturers and businessmen dealing in capital goods all over the world can thus anticipate needs if they watch carefully the ever-changing political scene in Eastern Asia.

Apart from the above considerations, there are some broader aspects of the problem which deserve attention. It is necessary to bear in mind that Hongkong entrepot trade has the character of a two-way traffic. On the one hand, local merchants are buying in Asiatic markets and selling all over the world various raw materials (such as bristles, seeds, raw silk, animal and vegetable oils, etc.) of mainly agricultural origin and a wide range of consumption goods (such as tea, embroideries, pottery, articles of oriental art and craft, etc.) being the products of either farming or cottage industries. On the other hand, Hongkong imports industrial raw materials, and finished producers' and consumers' goods mainly from the Western countries and Japan in order to sell them in the Far Eastern markets.

Entrepot trade in capital goods belongs, therefore, to the second circuit. The general structure of Hongkong entrepot trade indicates that the trade in capital goods depends on the extent of the first circuit and on the relative share of raw materials and consumers' goods in the second circuit. Neither of these elements are absolute determinants, but they are undoubtedly helpful in indicating to what extent capital goods will participate in Hongkong entrepot trade in the immediate future. Should the first circuit be small, the prospects of entrepot trade in capital goods would be poor. On the other hand, the decline in demand for industrial raw materials and consumption goods supplied by the West may enhance the demand for capital goods.

Ever since 1951 the size of the first circuit has been declining due to reduction in demand rather than supply. The effects of the embargo imposed on goods of Chinese origin by the United States have been important. But the results of the development of new methods of production, such as synthetic fibres, oils, fats, etc., cannot be overlooked. The products of Far Eastern farming and cottage industries encounter strong competition and artistic production does not seem to thrive in Communist China which has always been the largest participant in the Hongkong entrepot trade.

The decline in the size of the first circuit has had considerable influence in reducing the entrepot trade in capital goods. This fact may have been obscured by the relatively large import of capital goods necessary for the development of local industries, and possibly by the building-up of stocks for speculative purposes. There are, however, also certain permanent reasons why the entrepot trade in capital goods cannot assume important dimensions. To prove this point, it is necessary to examine the structure of the demand for capital goods.

The main component parts of this demand are, firstly, standardised and not bulky tools, instruments, apparatus and small machinery, and secondly, bulky and specific half-products and machinery, transport equipment, factory plant, etc. It is fairly obvious that Hongkong has practically no

(Continued on Page 58)

HONGKONG STATISTICAL REPORTS

For April 1955

Vital Statistics:

	April	Total (Jan.-Apr.)
Birth	5,487	26,192
Death	1,680	6,806

Retail Price Indices:

	April 1955	April 1954
	(March 1947—100)	
Food (including drink)	115	125
Rent	119	104
Clothing (including footwear)	90	92
Fuel	99	107
Electric Light	60	60
Cleaning	89	91
Education	138	138
Tobacco & Cigarettes	113	113
Doctors & Medicines	106	107
Fares	100	100
Household Equipment	114	113
Hair Dressing	122	121
Newspapers & Stationery	153	173
Shoe Repairs	81	81
Rates	100	100
General Retail Price Index	**112**	**117**

Hongkong Clearing House Figures:

January	$1,202,766,742.52
February	1,052,798,790.27
March	1,169,409,118.48
April	1,060,210,784.53

Banknotes in Circulation:

	April
The Hongkong & Shanghai Banking Corporation	$675,742,000
The Chartered Bank of India, Australia & China	46,903,225
The Mercantile Bank of India, Limited	4,086,200
	$726,731,425

Production of Electricity and Gas:

	April	Total (Jan.-Apr.)
Electricity (kw hours)	43,204,267	171,899,437
Gas (cubic feet)	50,521,700	210.143,200

Food Supply:

	April	Total (Jan.-Apr.)
Animals Slaughtered (heads)	65,676	250,203
Fish Marketed (tons)	4,511	15,129
Vegetables Marketed (tons)	6,269	26,191

Registration of Factories:

	April	Total (Jan.-Apr.)
Applications Received	39	153
Cancelled and (Refused)	13 (5)	50 (18)
Certificates Issued	16	111

Hongkong Building Constructions in April:

		Cost in HK$	
	Number	Building	Site Work
City of Victoria—			
Factories and Godowns	3	95,808	—
Houses and Flats	11	1,697,335	—
Other (including mixed accommodation)	2	914,542	—
Island outside Victoria—			
Factories and Godowns	1	6,500	—
Houses and Flats	24	2,041,126	188,371
Other (including mixed accommodation)	1	2,500	—
Kowloon and New Kowloon—			
Factories and Godowns	8	1,064,368	180,800
Houses and Flats	34	2,249,655	54,276
Other (including mixed accommodation)	7	1,595,429	255,300
Total (April, 1955)	91	9,667,263	678,747

Production of Cement:

	April	Total (Jan.-Apr.)
Cement (metric tons)	9,523	38,915

Kowloon-Canton Railway (British Section):

	April	Total (Jan.-Apr.)
Passengers:		
Upward	191,760	703,889
Downward	186,292	683,569
Concession Tickets	27,819	102,041
Freight:		
Upward	1,386,220 kgs	5,135,780 kgs
Downward	11,732,910 kgs	40,958,330 kgs

Vehicular Traffic:

Total number of vehicles and drivers licensed:

	In April	Total (Apr. 30)
Vehicles:		
Trams	—	120
Motor Cycles	13	1,265
Private Cars	296	15,459
Taxis	10	344
Public Hire Cars	17	283
Motor Buses	2	555
Public Commercial Lorries	82	1,394
Private Commercial Lorries	32	1,524
Government Cars & Lorries	7	803
Rickshaws (Private)	—	33
„ (Public)	—	853
Public Chairs	—	10
Tricycle (Goods)	6	788
Hand Trucks	—	1
Trailers	1	8
Drivers		
Motor Drivers' Licences	752	42,779
Learners' Licences	182	—
Driving Tests	200	—
Rickshaw & Tricycle Drivers	127	3,273
Hand Truck Drivers	—	4

SHIPPING

FOREIGN TRADE CONDUCTED BY JUNKS AND LAUNCHES UNDER 60 TONS

	April		Total (Jan.-Apr.)	
	Inward	Outward	Inward	Outward
Tonnage of Cargo: Junks ..	33,343	7,122	153,106	31,464
Tonnage of Cargo: Launches .	2,256	—	10,540	—
Total	35,599	7,122	163,646	31,464
Tonnage of Vessels: Junks ..	63,281	65,932	240,741	239,575
Tonnage of Vessels: Launches .	5,788	5,573	25,150	24,943
Total	69,069	71,505	265,891	264,518

COMMERCIAL CARGO TONNAGES

	April		Total (Jan.-Apr.)	
	Discharged	Loaded	Discharged	Loaded
Ocean-going Vessels (tons) ..	294,307	108,358	1,195,883	482,193
River Steamers (tons)	1,207	2,322	7,096	5,314
Total (tons)	295,514	110,680	1,202,979	487,507

ARRIVALS AND DEPARTURES OF AIRCRAFT, PASSENGERS AND FREIGHT AT KAI TAK

	April	Total (Jan.-Apr.)
Aircraft:		
Arrivals	272	1,049
Departures	273	1,054
Total	545	2,103
Passengers:		
Arrivals	6,412	21,492
Departures	6,330	21,685
Total	12,742	43,177
Freight:		
Imports (kilogrammes)	49,991	184,542
Exports (kilogrammes)	169,051	612,598
Total	219,042	797,140

HONGKONG'S TRADE WITH OTHER COUNTRIES IN EAST ASIA

	Imports		Exports	
	April	Total (Jan.-Apr.)	April	Total (Jan.-Apr.)
Burma	$ 4,619,634	$ 10,643,166	$ 1,941,757	$ 13,104,174
Ceylon	117,043	955,679	598,770	3,577,056
Indochina	4,095,577	13,432,629	4,670,200	17,030,779
India	2,370,546	16,911,273	1,257,935	6,824,288
Pakistan	6,178,928	23,233,275	230,001	1,258,630
Malaya	10,355,091	44,201,401	26,625,300	120,177,281
Philippines	861,156	2,341,027	3,981,189	19,339,652
Thailand	16,884,304	65,823,249	15,476,187	48,727,968
Indonesia	1,092,199	10,556,498	14,001,845	47,708,248
China	64,435,426	268,240,452	11,794,697	95,151,257
Formosa	1,747,080	12,150,390	1,690,444	11,560,535
Korea	971,064	2,845,008	12,507,124	49,751,766
Total Trade of Hongkong	$310,609,350	$1,244,768,229	$186,920,884	$790,844,142

HONGKONG AVIATION

Air Traffic in May, 1955

Points of Call	Departures			Arrivals		
	Passengers	Mail (kilos)	Freight (kilos)	Passengers	Mail (kilos)	Freight (kilos)
United Kingdom	126	3,529	7,127	66	7,097	6,357
Europe	147	1,474	4,533	60	1,245	2,236
Middle East	153	1,183	2,458	120	343	798
Calcutta	178	814	3,034	146	465	853
Rangoon	114	399	5,026	127	243	228
Bangkok	893	625	12,335	628	2,101	5,014
French Indochina	517	659	5,167	752	302	5,399
Singapore	438	5,478	12,547	364	3,223	3,220
Philippine	1,238	2,076	12,330	1,194	787	1,174
Australia	46	350	1,926	44	206	4,261
U.S.A.	171	3,052	9,368	41	3,065	2,569
Honolulu	67	87	284	30	93	216
Canada	174	794	598	32	249	1,251
Japan	1,349	14,737	12,583	1,517	516	4,110
Formosa	365	1,324	29,980	414	3,046	1,729
Korea	51	292	48,008	124	282	55
Macau	—	—	3,100	—	—	—
Okinawa	60	99	6,559	91	3	440
Total	6,087	36,972	176,963	5,750	23,266	39,910
Direct Transit	994	—	13,648	994	—	13,648

Total Aircraft Departure = 274; Total Aircraft Arrival = 279.

HONGKONG SHIPPING

Ocean and River Steamers over 60 tons net

Entering and Clearing the Port in May 1955

Flag	May				Total (Jan.-May)			
	Entered		Cleared		Entered		Cleared	
	No.	Ton	No.	Ton	No.	Ton	No.	Ton
British	221	402,500	212	396,856	1,121	2,270,489	1,118	2,260,156
American	27	148,908	27	148,908	104	556,486	104	556,486
Chinese	16	11,648	16	14,451	61	25,513	62	28,343
Costa Rica	—	—	—	—	1	477	—	—
Danish	23	74,194	22	68,012	92	298,586	91	289,893
Dutch	15	74,276	15	74,276	78	349,494	78	350,339
Finnish	—	—	—	—	3	10,276	3	10,276
French	7	22,953	4	19,501	23	94,574	19	89,494
German	3	14,478	3	14,478	15	75,002	15	75,002
Indian	—	—	—	—	3	8,821	3	8,821
Italian	1	6,586	1	6,586	5	32,433	5	32,433
Japanese	26	89,248	26	89,248	135	445,505	135	445,505
Korean	—	—	—	—	1	687	1	687
Liberian	2	4,245	2	4,245	6	12,737	6	12,737
Norwegian	38	90,205	39	90,986	194	479,148	197	483,797
Pakistan	—	—	—	—	3	10,075	3	10,075
Panamanian	17	26,499	17	26,575	57	93,340	61	95,962
Philippine	2	4,434	2	4,434	17	39,569	18	41.235
Portuguese	—	—	—	—	2	8,292	2	8,292
Swedish	10	28,844	10	28,844	45	150,021	46	152,289
Vietnam	—	—	—	—	—	—	1	553
Yugoslav	1	1,759	1	1,759	5	8,209	5	8,209
Total	409	1,000,777	397	989,159	1,971	4,969,734	1,973	4,960,584

HK AVIATION NOTES

Hongkong Government recently published the Colonial Air Navigation Order of 1955 which revokes and re-enacts, with certain amendments, the provisions of the Colonial Air Navigation Order of 1949 and its amending Orders. The principal changes in the two Orders included the following: For aircraft which carry passengers and goods for hire there are new requirements for certifying the maintenance of the aircraft and new provisions for keeping records of flying hours and records of defects. For public transport aircraft there are new requirements for the training practice and periodical tests of every member of the personnel. Flight engineers and flight navigators licences (cadet class) are abolished. Permission from Air Traffic Control will be required for landing, taking off at aerodromes in control zones in the event of low cloud ceiling as well as of restricted ground visibility. A minimum altitude of 1,000 ft. is imposed for aircraft flying in I.F.R. weather conditions. Aircraft must inform Air Traffic Control on landing or leaving controlled air-space. Flashing navigation lights will be obligatory after June 1, 1956, for aircraft whose maximum permissible total weight exceeds 12,500 lb. Aircraft registered outside the Colony when flying over the Colony may display either the lights specified in the section or those specified in the International Standards published by the International Civil Aviation Organization.

HK SHIPPING NOTES

The Yugoslav Line's new vessel, the mv Velebit, reached here on her maiden voyage with about 2,000 tons of general cargo. The 5,000-ton vessel has an overall length of 390' 9", a breadth of 49' 10½", a draught of 22' 2½" and a speed of 16 knots. Her bale capacity is 275,000 cubic feet. The vessel also has accommodation for 12 passengers. The ship's local agents are Messrs. Wallem & Company Limited. The Nippon Yusen Kaisha Line's ms Sanuki Maru arrived here early in June on her maiden voyage to Middle and Near East ports. The 11,000-ton Sanuki Maru has a length of 476', a breadth of 64', a depth of 40' and is capable of doing a maximum speed of 21 knots. Her bale capacity is 14,920 tons. She also has accommodation for 12 passengers. Messrs. Dodwell & Company Limited are the local agents for NYK Line.

(Continued from Page 54)

chance of securing the entrepot trade in the second of the above-mentioned categories. Better chances, however, exist in the first category where the display of samples can be easily arranged and where, moreover, it pays to buy from Hongkong wholesalers as considerable transport economies can often be achieved.

A change in the total structure of the demand of many Far Eastern countries is now taking place—a change against consumption goods and in favour of capital goods and industrial raw materials. It would, however, be unwise to expect too much from this change, for we have to bear in mind that it is due, especially in China, to a major social revolution which has brought radical changes in the methods of foreign trade. Exchange control, bilateral barter agreements and state bulk-buying are nowadays widely accepted not only by Communist China, but also by other Far Eastern countries. This implies the policy of directly contacting the producers themselves and by-passing Hongkong middlemen. At the moment China arranges her purchases of capital goods from Soviet satellites through East Berlin. It is most likely that if she decides to extend her purchases from Western countries, it will be done through some West European trading centre rather than Hongkong.

NOTE.—The views expressed in this article are those of the author and are not necessarily held by the Department of Commerce & Industry.

FINANCE & COMMERCE

JUNE TRADE REPORTS

Trade statistics published by the Department of Commerce and Industry show that the value of imports for June totalling $303,207,358 was $8.32 million higher than that for May while the value of exports for June amounting to $193,219,439 was $8.46 million lower than the figure for the previous month. There was an improvement in shipments to Southeast Asia and in exports to China and Taiwan, but the increase was not big enough to offset the drop in trade with Korea. Industrial chemicals registered gains but low buying offers and short stocks restricted trading; cotton piece goods advanced on renewed demand from Indonesia and marked-up Japanese indent; metals enjoyed selective demand from local factories and Southeast Asia; China produce remained popular with Japan and Europe; pharmaceuticals attracted orders from Taiwan and Thailand; cotton yarns were steady with enquiries from various markets; while paper registered drops of many popular items.

TRADE DEVELOPMENTS

Insurance & Freight Rates: London reduced a number of war and strike, riot and civil commotion shipping risk rates for voyages to and from or between ports on the China coast. Hongkong to Korea freight rates were increased on June 15.

Restrictions & Regulations: Ceramics may now be exported to US under Comprehensive Certificates of Origin. UK Customs now accept certificates which are issued by UK suppliers and endorsed by a Chamber of Commerce in UK for yarns used by factories here in the manufacturing of exports to UK under claim to Imperial Preference. In Eire, authorities imposed specific duties on imported knitted woollen gloves to protect Irish manufactures from the invasion of HK products. With the exception of exports of HK products to Korea, proceeds of exports from here to the Transferable Account Area (except China, Macao and Taiwan) which are received in US dollars must be surrendered to an authorized bank at the official rate of exchange. Registered coal importers here are no longer required to maintain reserve stocks; the import quota system has also been abolished.

China Trade: China developed more trade with Argentine, France, India, Indonesia, Burma, Malaya, Japan and Sweden. Businessmen and politicians in London, Tokyo and Washington urged their governments to relax restrictions on shipments to China. To Hongkong, China sent not only staples and industrial products but also a wider selection of table delicacies including frozen duck, preserved duck, canned meat, wines and spirits, and fruits. In the local commodity market, China made selective purchases in metals and industrial chemicals.

Taiwan Trade: Shipments of pharmaceuticals and other items from Hongkong were restricted by the shortage of HK dollars in Taipei's foreign exchange budget. Taiwan recently asked some Japanese firms to pledge that they would not trade with Communist China. These Japanese firms had been importing rice and sugar from Taiwan and exporting fertilisers, machinery, cement and other products in return. The demand was refuted and refused by Japanese trade circles.

Japan Trade: Japan and Korea agreed to exchange 100,000 tons of Korean rice for Japanese machine tools of equivalent value. Japan negotiated with US multi-lateral trade arrangements, involving Indonesia and Pakistan, in which US cotton would be supplied to Japan and Japanese cotton textiles would be shipped to Indonesia and Pakistan. Businessmen and industrialists in US proposed to protect American industry by diverting Japanese competition to China. In the local market, demand for Japanese goods remained good. Japanese metals attracted orders from local factories, Southeast Asia, and China. Imports of Japanese sugar, piece goods, paper, cement and chemicals also maintained normal levels. From the local market, Japan purchased beans, oilseeds, cassia lignea, woodoil, raw silk and silk waste.

Korea Trade: More than $7 million were sold during the month in Seoul through the weekly auction of US Military Aid Funds. $6.28 million from FOA funds were earmarked for railway construction and irrigation materials. Tenders were invited for the supply of lumber, cement, steel, dynamite, paint, glass, roofing, railroad ties, telephone poles, plywood, manila rope, zinc, mechanical equipment and tools. In the local commodity market, Korea made only selective purchases. Shipments to Pusan also slowed down due to the delay in the arrival of L/Cs from Korea. Prices of imports in Korea failed to advance with the increase in foreign exchange rates. This caused a decline of demand from Korea for various items in the local market. Shipments of Korean native products to HK remained slow because of the unremunerative market prices here.

Indonesia Trade: To encourage the export of coffee, Djakarta allowed firms in Indonesia to use 10% of the proceeds realised from coffee exports for imports. Djakarta also encouraged firms holding foreign exchange abroad to utilize such exchange for imports of capital goods, machinery, industrial raw materials, medical supplies, construction materials, piecegoods, and transportation equipment. For essential raw materials, Djakarta issued special foreign exchange. Articles of secondary importance such as cotton piece goods, were imported by competitive tenders. From Hongkong, Indonesia bought substantial quantities of piecegoods, flashlight batteries, and enamelwares. Due to the shortage of foreign exchange for imports from here, Djakarta recently bought more supplies direct from Europe, America and China.

Thailand Trade: Bangkok established an Industrial Corporation to handle all trade, import-export and marketing enquiries from foreign and local merchants. From here, Thailand bought paper, metals, pharmaceuticals and China produce. Export to Thailand, however, was restricted by the high exchange rate of HK dollars in Bangkok. Recent shipments to Thailand consisted mostly of FOA purchases. Japan bought more rice from Thailand and in return, Bangkok authorized more direct imports from Japan. This development will eventually affect the shipment of Japanese goods from Hongkong.

The Philippines: The Philippine Consul here required that all shipping companies must submit for examination the cargo manifests of Philippine-bound vessels two days before departure. There was a slight improvement in export of Hongkong manufactures to the Philippines during the second half of the month. However, in view of the expected settlement of the Japanese reparations problem, Hongkong products will soon meet keen Japanese competition in the Philippines.

Indochina Trade: Shipments to Saigon and Pnompenh consisted mainly of metals, cotton yarn and machinery purchased with FOA funds. Increased shipment of Indochinese rice to Hongkong also enabled Vietnam to buy more supplies from here.

Burma Trade: Rangoon resumed the issuance of import licence for cotton woven goods from sterling area, Japan and China. Hongkong piecegoods are not very popular in the Rangoon market where Japanese dyed and bleached piece goods, Chinese and Indian grey sheets and drills have been enjoying a good demand. From China, Rangoon also bought various industrial products and staples including iron wire nails, fuel and lubricating oil, radio, paper, and machinery. In the local commodity market Burma bought towels, bed sheets, stockings and underwears. Burma is inviting foreign investments in any enterprise except major public utilities and munition manufactures. Foreign investors would be permitted to remit out current earnings and dividends. Repatriation of investment over a reasonable period would also be allowed.

COMMODITIES

China Produce: Demand from various sources for popular items remained steady throughout the month. Woodoil failed to improve on orders from Australia for forward cargoes due to low buying offers; but when prices in London advanced and more orders reached here from London, Tokyo, Taipei, Bangkok and Singapore, it registered gains in the local market. Citronella oil first depressed by heavy arrival and indent drop; firmed up after a substantial quantity was shipped out and price in Taiwan marked up; but eased again when expected arrivals developed selling pressure. Groundnut oil was stimulated by increased cost and low supply but later declined when more supply arrived from India. Cassia lignea was popular with Pakistan, India, Europe and North Africa but drop in China's export price prevented gains in the local market. Gallnuts enjoyed good demand from Japan but liquidation by speculators forced down quotations. Galangal attracted orders from India and Europe but heavy stock held the price back. Heavy arrival depressed talcum powder at the beginning of the month. During the second half month, however, demand from Thailand, Japan, Burma, Malaya and Taiwan kept the price firm. Soya bean registered steady sales to Penang, Singapore and Tokyo at improved price but local market level was still below cost. Other items which gained on steady demand included groundnut kernel, raw silk, silk wadding, hog bristles and dried chilli. On the other hand, drop in London depressed aniseed oil in the local market and heavy stock forced down green peas and red beans. Other popular items were sesame, aniseed star, rosin, musk, alum, silk waste, gypsum, ramie, bitter almond, tea, camphor powder and oil, feathers, dried albumen, teaseed cake, ginger and garlic.

Industrial Chemicals: Trading gradually improved with demand from China, Thailand and Korea. The volume of business, however, was limited by short stock of some items and low buying offers. Items which registered gains included granular borax, sodium bichromate, sodium silicate, sodium nitrate, sodium bicarbonate, oxalic acid, tartaric acid, boric acid, linseed oil, rosin, gum damar, tanning extract, soda ash and caustic soda. On the other hand gum copal was depressed by marked-down indent price and gum arabic eased under selling pressure. Other popular items were sodium sulphide, sulphuric acid, shellac, magnesium carbonate, lithopone, formalin, polystyrene moulding powder, glycerine, potassium bichromate, ammonium bicarbonate and lead acetate.

Metals: Orders from overseas for popular items were limited to small quantities. Prices in the local market remained firm on short stocks and the lack of near forwards. Mild steel round bars slipped further down on account of new arrivals and lower indent offers from Japan, Europe and China. Local dealers cancelled several orders with suppliers on the ground of delayed shipment. Hongkong products were firm on demand from Thailand and Africa. Mild steel angle bars failed to improve on orders from Thailand as no offer for specifications required was available. Wire rods and steel wire rope gained on short stock and demand from Korea and Thailand. Mild steel plate attracted orders from Thailand but indent drop caused buyers to counteroffer low prices. Galvanized steel plate improved on orders from Korea, China and local industries. Local shipyards booked large quantities of Japanese steel plates near the end of the month. Galvanized iron sheets retained demand from Korea and local building industry but marked-down Japanese indent and heavy stock prevented gains. Tinplate registered sales to China but buying offers were very low. Blackplate was stimulated by orders from Korea and China; blackplate waste waste by increased indent and low stock. Both items eased when new supplies arrived. Items which were depressed by heavy stock included galvanized and ungalvanized iron pipes and iron wire nails.

Pharmaceuticals: Orders from Taiwan, Korea and Thailand were small in quantity and buying offers were too low to stimulate gains. By the end of the month, Taiwan, which provided most of the business, slowed down its purchase. Popular items included dihydrostreptomycin, penicillin preparations, quinine powders, sulphonamides, santonin crystal, neosalvarsan ampoule, saccharum lactose, saccharine crystal, PAS, ascorbic acid, nicotinamide, isoniazide tablets and powder, insulin solution, aspirin, chloroform and phenacetin

Paper: Demand from Korea was limited to woodfree printing and newsprints. Trading in these items was limited by low stock and marked-up indent. Shipments to Korea were further restricted by Korea's insistence for US and European products. Exporters also procured supplies directly from supplying sources instead of from local dealers. Business in the local market was therefore limited to small orders from Thailand. Selling pressure depressed art printing, M.G. cap, manifold, transparent cellulose paper, strawboard and duplex board.

Cotton Piece Goods: Marked-up Japanese indents, dwindled stocks and orders from Indonesia improved cotton piece goods in the local market. Chinese grey sheeting was popular on account of its favourable price.

Cotton Yarns: Enquiries from Rangoon and Saigon were keen but demand from Seoul and Djakarta failed to improve. Japanese goods were depressed by marked-down indents. Hongkong yarns were popular especially with UK buyers. Many local mills accepted UK orders for August shipment.

Rice: Local import quota remained at 20,000 metric tons per month. Heavy arrival from various sources, low Bhat rates, and slow trading depressed prices in general. Canton Chai Mei, Indochinese whole rice and Thai three quarter rice, however, improved slightly on short stock.

Wheat Flour: Canadian flour remained firm on increased cost; Australian and US products advanced on orders from Burma and Indochina as well as on account of marked-up indents; and Hongkong flour enjoyed the newly developed demand from Singapore.

Sugar: Active local sales and steady demand from Korea and Indochina stimulated Japanese and Taiwan sugar in the local market. By the end of the month, Japanese sugar declined under selling pressure developed by the expected arrival of new supplies. Taikoo sugar remained firm.

Cement: Due to heavy supply on hand and arrival of previous indents, price of Japanese cement remained below cost in the local market. China also sent cement here at HK$105 per ton cif Hongkong. Chinese products, however, are not as popular as local and Japanese goods which have already established a good market in Hongkong as well as in Southeast Asia.

COMMODITY PRICES ON JUNE 30, 1955

CHINA PRODUCE

Aniseed Star: Kwangsi, export quality, $92 picul. **Cassia Lignea:** Kwangtung, 1-cwt bale, $57.50 picul; bulk, $51. **Cassia, Unscraped:** Kwangtung, $57 picul. **Cassia, Broken:** Kwangtung, 1st quality, $48 picul; 2nd quality, $38. **Dried Albumen:** Tientsin, 7s 2d per pound c & f Europe. **Whole Egg, Melange:** Tientsin, 5s 8d per lb c & f Europe. **Gallnut:** Szechuen, $125 picul. **Toasted Garlic:** Kwangtung, A grade $65 picul. **Untoasted Garlic:** Kwangtung, $34 picul. **Gypsum:** Hupeh, 1st grade, white, $8 picul. **Hog Bristle:** Tientsin, No. 55, black, 30s 3d per pound c & f Europe; Hankow, No. 17, black, 24s 11d pound, c & f Europe. **Realgar:** Hunan, $57 picul. **Raw Silk:** Canton, white steam filature, 20/22 denier, AAAA grade, $3,415 picul; A grade, $3,265 picul; Canton steam filature, natural, $2,590 picul. **Dried Chilli:** Szechuen, $120 picul; Northwest China, $74 picul. **Rosin:** Kwangtung, X grade, £78 per metric ton c & f Japan; A grade, $120 per quintal ex-godown; Hunan, black, $88 quintal. **Sesame:** Pnompenh, black, $90 picul. **Mustard Seed:** Tientsin, $160 picul. **Silk Waste:** Szechuen, spun silk tops, 60-kilo case, A grade, $1,930 case; Canton, long strips, yellow, A grade, $660 picul. **Black Tea:** Taiwan, OP, $306 picul; Fukien, Oolung, 1st quality, $608 picul. **Aniseed Oil:** export packing, 18s 3d per lb, c & f Europe. **Camphor Oil:** Taiwan, refined, in drum, forward, $226 picul. **Cassia Oil:** 80/85%, in drum, $1,500 picul. **Citronella Oil:** Taiwan, $9 per lb. **Peppermint Oil:** Shanghai, $32.50 lb. **Woodoil Refined:** in drum, spot, $172 picul; in bulk, forward, $166; in bulk, spot, $169; in drum, c & f Australia, £190 per ton. **Groundnut Oil:** Indian, forward, July, $110 picul; Indonesian, old stock in tin; $102 picul; Chinese, 4-week forward, $105 picul. **Bitter Almond:** Tientsin, red membrane, $108 picul. **Galangal:** Kwangtung, 3rd quality, $19 picul. **Dried Ginger:** Honan, 1st quality, $115 picul; Szechuen, unselected, $75. **Teaseed Cake:** Kwangtung, $12.50 picul. **Black Bean:** Manchuria, medium, $37 picul; Central China, long, $25.90 picul. **Red Bean:** Shantung, $103.50 picul; Tongking, $42. **Soya Bean:** Dairen, lower quality, $43.50 picul.

METALS

Mild Steel Angle Bars: Cont or Jap—1/8" x 1" x 1" and 1/8" x 1¼" x 1¼", $42 picul; 3/16" x 1-3/4" x 1-3/4", $38; 1/4" x 2" x 2" and 5/16" x 2½" x 2½", $37; 3/8" x 3" x 3", $38. **Mild Steel Flat Bars:** Cont or Jap—1/8" x 5/8" and 3/4", $44 picul; 1/8" x 1", $43; 1/4" x 1" to 2", $42.50. Hongkong—1/8" x 1/2" to 3/4", $41 picul; 1/8" x 1", $40; 1/4" x 1/2" to 2", $39 picul. **Mild Steel Round Bars:** Cont—40' length, 3/8" dia, $38 picul; 1/2" dia, $35; 5/8" to 1" dia, $34. Hongkong—20' to 40' length, 1/4" dia, $36.50 picul; 3/8" to 1" dia, $34. **Mild Steel Square Bars:** Cont or Jap—20' to 22' length, 1/2" to 3/4", $44 picul; 7/8" to 1½", $43. **Steel Wire Ropes:** Hongkong—24 x 6 x 720', 1¼", $1.50 pound; 1½", $1.30; 1-3/4", $1.20; 2½", $1.05. UK—24 x 6 x 7, 1¼", $1.65 pound; 1-3/4", $1.40; 2", $1.25; 3", $1 per pound. **Tinplate Waste Waste:** Electrolytic, US, 18" x 24", 1 ton skid, $86 per 200-lb case; UK, similar quality, $83. Coked, US, 18" x 24", 1 ton skid, $95 per 200-lb case; UK, similar quality, $93. **Blackplate Waste Waste:** UK, 18" x 24" and larger, G29/G33, $35 picul. **Tinplate:** UK, 20" x 28", 200-lb case of 112 shts with tinlining, $129 case. **Blackplate:** Jap, 3' x 6', G24/G26, $58 picul; G18, $55. **Galvanized Iron Sheets:** Jap, 3' x 7'—USSG 26, 52 c per pound; USSG 31, $4.80 per piece. **Zinc Sheets:** Cont, 3' x 8'—G5 and G6, $112 picul. **Galvanized Iron Wire:** Cont or Jap—G8, $45 picul; G14, $47; G20, $52; G24, $57 picul. **Wire Nails:** Cont or Jap in 1 picul keg, 1/2" x 18 BWG, $70 picul; 5/8" x 18 BWG, $65; 3/4" x 17 BWG, $65 picul. **Iron Plate,** ship salvage: 1/2" and over, $23.50 picul.

PAPER

M.G. Ribbed Pure Kraft: (35" x 47") Austrian, 39 gr, 46-lb ream; $32 ream; Jap, 38/39 gr, 45/46-lb ream, $30.50; Jap, 33/34 gr, 39/40-lb ream, $27.50; Cont, 60/160 gr, 75/160-lb ream, 72 c per pound. **M.G. Ribbed Imitation Kraft:** (35" x 47")—Cont, 60/150 gr, 75/160-lb ream, 69 c per pound. **M.G. Ribbed Pitched Kraft:** (35" x 47")—Swedish, 100 gr, 118-lb ream, $87 ream. **M.G. Pure White Sulphite:** (35" x 47")—Swedish, 40 gr, 47-lb ream, $33 ream; Cont, 50/90 gr, 60/100-lb ream, 71 c per lb. **M.G. White Sulphite:** (35" x 47")—Austrian or Italian, 40 gr, 47-lb ream, $32 ream; Czech or Polish, 40 gr, 47-lb ream, $31.40 ream. **Transparent Cellulose Paper:** Jap, 30 gr, 36" x 39", $66 ream; Italian, 30 gr, 36" x 39", $67 ream; Italian, 30 gr, 40" x 52", $103 ream. **Woodfree Printing:** (31" x 43")—Jap, 60/100 gr, 57/100-lb ream, 72 c per lb; forward, 69½ cents. Chinese, 60/90-lb ream, 66 c pound. **Bond:** (22" x 34", 60 gr, 32-lb ream)—Norwegian or Swedish with water mark, $31 ream; Central Europe with w/m, $27; Cont, without w/m, $24.50; Jap, without w/m, $23. **Manifold:** (22" x 34", white, 30 gr, 16-lb ream)—Swedish or Norwegian, $13 to $15.50 ream; Austrian, $11.50; Chinese, $10.50 ream. **Mechanical Printing:** Swedish or Norwegian, 31" x 43", 60 gr, 57-lb ream, 59 c pound. **Poster:** (31" x 43", 60/70 gr, 57/68-lb ream)—Swedish, 87 c pound; Cont, 84 c; Jap, 82 c pound. **Newsprint in Reels:** (50/52 gr, 31")—US, spot, 52 c pound; forward 49½ cents. Chinese, superior quality, 46½ c; ordinary quality, 45½ c. East German, 51 c. French, 51½ c. Polish, 51 cents. **Newsprint in reams:** (31" x 43")—Cont, 50/52 gr, 50-lb ream, $27 ream; Jap 50 gr, 48-lb ream, $23.50 ream; Chinese, 50 gr, 48/50-lb ream, $25 ream. **Strawboard:** (26" x 31")—Dutch, 20 to 40 oz, $560 per ton; Jap, 8 to 16 oz, $455 ton; Jap 20 to 30 oz, $540 ton; Chinese, 8 to 16 oz, $400 ton.

INDUSTRIAL CHEMICALS

Oxalic Acid (Crystal): German, 71 c pound; UK, 72 c. **Tartaric Acid** (Crystal): UK, $2.15 pound; French, $2.05. **Borax** (Granular): US, $28.80 per 100-lb paper bag. **Caustic Soda:** Jap, $135 per 300-kilo drum. **Glycerine:** Chinese, $1.78 pound. **Gum Arabic:** Sudan, 93 c pound. **Gum Copal:** Malayan, No. 1, $246 picul. **Gum Damar:** Malayan, No. 1, $292 picul. **Linseed Oil:** UK, $120 picul. **Lithopone** (30%). German, 35½ c pound. **Shellac, Lemon:** Indian, No. 1, $370 picul. **Soda Ash:** UK, forward, $28.55 per 90-kilo bag; Jap, $30 per 100-kilo bag. **Sodium Bichromate:** South African, 88 c pound. **Sodium Sulphide:** Chinese, $450 ton; UK, $570 ton. **Tanning Extract:** South African, 52 c to 79 c pound. **Potassium Bichromate** (Granular): Australian, $1.14 pound.

PHARMACEUTICALS

Penicillin-G Tablets: UK, 1957, 12's, 73 c box. **Dihydrostreptomycin:** UK, 1 gm, 1959, 68 c per vial. **Sulphadiazine Powder:** UK, $40 pound. **Sulphaguanidine Powder;** UK, $7.20 pound. **Sulphanilamide Powder:** UK, $4 pound. **Sulphathiazole Powder:** UK, $9 pound. **Isoniazide Tablets:** UK, 100's x 100 mg, $3.90 bottle. **PAS Powder:** UK, $5.70 per 8-oz tin. **Pituitary Extract:** UK, 12 x 1cc amp, 35 c per amp. **Phenacetin:** UK, $5.10 pound. **Saccharum Lactose:** UK, $1.04 pound. **Santonin:** UK, $18.30 per oz.

COTTON YARNS

Hongkong Yarns: 10's, $790 to $900 per bale; 12's, $830 to $960; 20's, $1,010 to $1,180; 32's, $1,380 to $1,430; 40's, $1,540; 42's, $1,620 to $1,760 bale. **Japanese Yarns:** 32's, $1,370 to $1,390 bale; 40's, $1,540 to $1,560; 42's, $1,650.

COTTON PIECE GOODS

Grey Sheetings: Chinese, 72 x 69, 36" x 40 yds, $31 per piece; 60 x 60, 36" x 40 yds, $33.50 piece. HK, 60 x 56, 36" x 40 yds, $35 piece; 60 x 60, $34 piece. Japanese, No. 2023, $34.50 piece; No. 2003, $31.50 piece, **Jeans and Drills:** HK, 84 x 48, 30" x 40 yds, $29 piece.

RICE

White Rice: Thai, C-15% new crop, $46.90 picul; D-25%, new crop, $44.30 picul. **Government Stock Rice:** Thai, C grade, $48 picul. **Broken Rice:** Thai, A-1 superior broken rice, new crop, $39.20 picul; special, $36.90; ordinary, $35.50 picul.

WHEAT FLOUR

50-lb Bags: Australian, $12.40 to $13 per bag; American, $12 to $13.20 bag; Canadian, $16.20 to $17 bag; Jap. $12 bag. **100-lb Bags:** American, $24.80 to $25.60 bag; Canadian, $33.50 bag.

SUGAR

Granulated Sugar: Taiwan, refined, No. 18, brown, $35.40 picul; Australian, No. 18 brown, $35.30; Jap, $39; Taikoo granulated, $39.80. **Malt Sugar:** Thai, $34 picul.

CEMENT

Green Island Cement: Emeralcrete, rapid hardening, 112-lb bag, $8.20 bag; Emerald, 112-lb bag, $7 bag; Emerald 100-lb bag, $6.35. **Japanese Cement:** 100-lb bag, $5.80 bag; 1-cwt bag, $6.40 bag. **White Cement:** Snowcrete, $69 per drum of 375 pounds and $15.80 per bag of 1-cwt; Bate, $16.10 per bag of 1-cwt.

HONGKONG SHARE MARKET

The steady arrival of money from Chinese in Southeast Asia, especially from Indochina, stimulated local share market and advanced prices of popular shares. Banks, Unions, and Utilities were in the lead. Rubber shares improved when Singapore raw rubber rates moved up 12½ cents to 128½ Straits cents a pound. Since the end of April, rubber has risen by a total of 38 cents per pound. A total of 443,000 Amalgamateds and 66,000 Trusts changed hands during the week. Amalgamateds rose 10 cents to $2.225 and Trusts to $3¼. Banks gained $50, Unions advanced $25, Trams up by 30 cents, China Lights put on 70 cents, Electrics were 75 cents higher, Telephones increased by 25 cents, Cements rose by $1, Farms were 50 cents better and Watsons registered an increase of 40 cents. Lane Crawfords ex $3 dividend sold at $30½ is equivalent to a rise of $1.25 on the week. Yangtsze Finance moved up from $6.95 to $7.10 but eased later to $5.55. China Providents improved to $15.50. Lands gained 50 cents and Hotels 30 cents. The market at the end of the week was very strong.

Monday: Buyers were again in evidence when trading was resumed and prices continued to rise under strong demand. Business was brisk with interest well spread. Further gains were registered in Wheelocks $8.90 and Yangtszes $7¼. Utilities were again in good demand with Trams, China Lights, Telephones, Electrics and Yaumatis all advancing to higher levels. Dairy Farms and Cements also improved while Hotels closed firm under late support. H.K. Banks changed hands from $1,750 up to $1,780 and Union Insurances closed with unsatisfied buyers at $1,000. Rubbers were again buoyant on a sharp rise of raw material in Singapore to Str. $1.2275 per lb. Occasional profit-taking had little effect on the market which remained firm. The day's turnover amounted to $3.1 million. **Tuesday:** Signs of profit-taking in early trading caused buyers to lower their offers and as a result the majority of counters yielded ground. Docks and Providents were exceptions while Banks and Unions held firm. Utilities and some of the Wheelock group sustained slight losses. Dairy Farms, Cements and Hotels were also affected. However, towards the close, rates were steady. In the rubber section, Amalgamateds were again very active and 130,000 shares changed hands. Rates were practically unchanged although the price of raw rubber again advanced to St. $1.2725 per lb. Turnover for the day amounted to $2.65 million. **Wednesday:** The volume of trading increased and the market turned more steady. Prices improved fractionally. Amalgamated Rubbers enjoyed active trading at improving rates. The market at the close was steady. The half day's turnover amounted to $1.96 million. **Thursday:** The market remained firm with Utilities steadily advancing under sustained demand. China Lights, Trams, Electrics, Telephones and Yaumatis registered fractional gains. China Providents came in for special attention but after a sharp rise to $15½ eased slightly on profit-taking. Realties were in good demand. Dairy Farms, Cements, Banks and Unions remained steady. The rubber section was again active but closed a shade below the best levels of the day in sympathy with lower Singapore rubber prices. The day's turnover amounted to $1.8 million. **Friday:** The market remained active. Interest was well spread with Utilities attracting most attention. Wheelocks, Realities, Dairy Farms, Cements and Providents were also popular. In the heavy stocks H.K. Banks and Unions forged ahead under steady demand. The rubber section was particularly active. The day's turnover amounted to $1.81 million.

Interim Dividend by Hongkong Bank

The Hongkong and Shanghai Banking Corporation announced an interim dividend of £2 per share free of Hongkong Corporation Profits Tax in respect of the year 1955. HK$5,000,000 (£312,500) will be transferred from Inner Reserves to the published Reserve Fund, bringing the published Reserve Fund up to HK$128,000,000 (£8,000,000 at which this Fund stood prior to the capitalisation of the sum of HK$5,000,000 of the Reserve Fund authorised at the Extraordinary General Meeting of shareholders held on 11th March, 1955. The interim dividend will be payable on Monday, 8th August, 1955, on all shares outstanding at that date.

SINGAPORE SHARE MARKET

Both Industrials and Tins attracted sufficient attention to cause some price improvements. There was no falling off in total volume of trading, of which Industrials, both local and overseas, and Rubbers contributed the bulk. Fraser & Neave again had large exchanges, mostly at $1.70, and Wearnes were a close second at $2.70 ex dividend. Straits Traders fell to $22.60 before sellers were cleared. Robinson Ords. were neglected at $2.27½ sellers and Singapore Cold Storage had intermittent exchanges at $1.70. No business was reported in the shares of Jackson & Co. The rise in Singapore Traction Ords. continued with London taking shares up to 30/-. Hongkong Banks had business locally at £97/10/0 and Consolidated Tin Smelter Ords. were accepted from London at 35/6 and 34/9, including stamp. Excitement in the Tin section was confined to dollar counters. Petaling had business from $4.25 to $4.50 and Sungei Way from $2.95 to $3.25. In both cases, quarterly output figures are due to be published next week and the rises may be attributed to buyers' clairvoyance or actual knowledge of the figures. Among Australian Tins, Pungah had takers up to 9/4½ and Austral Amalgamated up to 16/-. Lower Perak were neglected and fell to 12/6, Kuala Kampar, which were sold down to 26/9, closed 27/- buyers, and the Burma Malaya Group continued to advance. The Rubber section was unimpressed by the sharp rise in the spot price of the commodity, which spiralled on the disclosure that a Singapore firm was unable to obtain the necessary rubber to meet its June shipments. Share turnover showed a slight increase—Lunas were taken from $2.15 to $2.22½ cum dividend and Glenealy touched $1.17½. Batu Lintang had considerable exchanges at $1.52½, as also Sungei Bagan at $2.20, Parit Perak having declared 20% for 1954, had buyers at $1.60 and Mentakab reached $1.10.

HONGKONG EXCHANGE MARKETS

For the week 27 June to 2 July

U.S.$

Date	T.T. High	T.T. Low	Notes High	Notes Low
27/6	$581½	580¾	580½	579⅜
28	581¼	580½	580⅛	578¾
29	581⅛	580½	579¼	578⅜
30	580¾	580¼	578⅞	577⅝
1/7	HOLIDAY			
2	580¾	580¼	578⅜	577½

D.D. rates: High 579½ Low 578½.

Highest and lowest rates for the month of June were for T.T. $582¾ and 579⅝ and for Notes 582½ and 577⅝.

Trading totals for the week: T.T. US$1,310,000, Notes cash US$491,000, forward US$2,020,000, D.D. US$285,000. The market was quiet but slightly on the easy side on heavier offers from Japanese, Korean, Bangkok and Philippine merchants, while New York cross rates were little changed. Rates are working near the official parity and there will be no change of the official cross rate. In T.T. sector, the above mentioned offers were met by some gold import requirements and few general merchants. In the Notes market, rates dropped on heavy interest fixing in favour of sellers, which amounted to $8.10 per US$1,000. The problem of this heavy interest was hard to solve, for the Po Sang Bank, agents for communist China, seemed to have the opportunity in manipulating the interest fixing. When this bank offered to deliver their cash notes, shippers and banks with accounts in the United States had to get away from taking delivery and let this bank put up the interest rate as they pleased. Reason for this was that shippers and banks with accounts in US were afraid that their funds may be frozen because of their tradings with a communist agent. Positions taken in fictitious forward remained small and figured at US$3 millions. In the D.D. sector, market was very quiet.

Yen and Piastre: Forward was again not traded and interests for change over were $3.68 per Yen 100,000 and $1.20 per Piastre 10,000, both in favour of sellers. Cash rates quoted $1,425—1,400 per Yen 100,000 and $775—750 per Piastre 10,000.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK$: Philippines 1.99—1.92, Japan 0.01455—0.01425. Highest and lowest rates per HK$ in foreign currency: Malaya 0.532, Indochina 13.50—12.80, Thailand 4.06—3.98. Sales: Pesos 460,000, Yen 90 millions, Malayan $295,000, Piastre 12 millions, Bhat 7½ millions. Heavy sellings were noted in Thailand exchange, the Government seemed to have difficulties in checking the drop of their currency.

Bank Notes: Highest and lowest rates per foreign currency unit in HK$: England 15.66—15.64, Australia 12.22, New Zealand 13.52—13.45, Egypt 14.50, South Africa 15.50—15.43, India 1.1725—1.16, Pakistan 1.035—1.03, Ceylon 0.97, Burma 0.70, Malaya 1.838—1.837, Canada 5.84—5.83, Philippines 2.1725—2.1525, Macao 1.005—1.00, Switzerland 1.35, France 0.015575—0.01555, Indonesia 0.13, Thailand 2.43—2.40.

Chinese Exchange: There was no change in the official rates of the People's Bank Yuan; 0.427 Yuan per HK$ and 6.859 per £. Cash notes quoted in free market $1.10 per Yuan.

Official rates of the Taiwan Yuan unchanged at 15.65—15.55 per US$ and 2.74—2.72 per HK$. Cash notes quoted $148—143 per thousand, and remittances 144—141; tradings were very small.

Silver Market: The market seemed to be slightly steadier with some increase in business, for exporters were keen in demanding for export. Bar silver quoted $5.84—5.80 per tael with 2,500 taels traded, $ coins at 3.74—3.70 per coin with 4,000 coins traded, and 20c coins at 2.87—2.86 per 5 coins with 6,000 coins traded. The local stock was rather small although some scattered lots came from Taiwan, which has been a good source of supply during 1955.

Gold Market

Date	High .945	Low .945	Macao .99
27/6	$251⅜	251	261⅜ High
28	251⅜	250⅞	
29	251¼	250⅞	
30	251¼	250¾	Low 261
1/7	HOLIDAY		
2	251¼	250⅞	

The opening and closing prices were $251⅛ and 250⅞, and the highest and lowest were 251⅜ and 250¾. Highest and lowest for the month of June were 251⅝ and 250⅛.

The market was very quiet with only small fluctuations, and this is expected to continue for some time. Interest for change over in forward favoured sellers and totalled $1.46 per 10 taels of .945 fine. Local stock remained ample. Tradings were small and amounted to 23,460 taels or averaged 3,910 taels per day. Positions figured at 29,800 taels per average day. Cash sales amounted to 17,610 taels, (3,010 listed and 14,600 arranged). Imports were all from Macao and totalled 8,500 taels. One shipment of 40,000 fine ounces reached Macao last week. Exports figured at 9,000 taels, (4,500 to Indonesia, 3,500 to Singapore, 1,000 to Rangoon). Differences paid for local and Macao .99 fine were $12.10 and 12.00—11.90 respectively per tael of .945 fine. Cross rates in the Exchange were US$37.76—37.75. 22,400 fine ounces were contracted at 37.75 C.I.F. Macao.

Financial and Money Market

The half yearly balance sheets of banks, aside of Chinese native banks, showed increasing profit in comparison with those of last year, and this brought some hope for better times to come. The active share market helped to give more business to the banks, also the slight increase of imports and exports. Deposits increased on the sound standing of the Colony by flowing in capital from South East Asia, loans also increased in real estate business, cotton yarn and manufactured goods. Chinese native banks as a whole were all working at a loss, for gold, US$ and foreign exchange dealings decreased continuously, and there is no hope in the near future.

Money remained easy with interest charges from 12 to 6 per cent per annum by banks, and 15 to 10 per cent per annum by Chinese banks and financiers. Real estate merchants and manufacturers seemed to be somewhat tighter financially, being caused by poor purchasing power for houses and by overproductions.

Oversea Chinese remittances during the half year increased; those from US were easier to arrange, those from South East Asia were caused by better rubber prices and improved business conditions in these countries.

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Report for the week 4 to 9 July

U.S.$

July	T.T. High	T.T. Low	Notes High	Notes Low
4	$581¼	580½	578⅝	578⅛
5	581¼	581	578¾	578⅜
6	581¼	580½	578⅞	578¼
7	582½	581¼	580⅞	579⅛
8	582	581	580¼	579
9	581¼	580½	579⅝	578¾

D.D. rates: High 580½ Low 578¾.

Trading totals: T.T. US$1,510,000, Notes cash US$516,000, forward US$2,270,000, D.D. US$230,000.

The market was quiet. News of the decreased reserve in gold and hard currency held by the British Government gave no effect to the market. Notes were steady on lower change over interest. In T.T. sector, offers from Japan and Korea were well met by demands for gold and general imports. In the notes market, shippers were willing to take delivery for some profit could be calculated. Interest favoured sellers, amounted to $3.95 per US$1,000. Positions figured at US$2⅞ millions. In D.D. sector, business decreased on fewer oversea Chinese remittances.

Yen and Piastre: There was no trading in forward and change over interests were $1.64 per Yen 100,000, favour buyers, and 10 cents per Piastre 10,000, favour sellers. Cash quotations were $1,425—1,400 per Yen 100,000 and 780—765 per Piastre 10,000.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK$: Philippines 2.00—1.96, Japan 0.01465—0.0142. Highest and lowest per HK$ in foreign currency: Malaya 0.532—0.53175, Indochina 12.80, Thailand 4.13—4.04. Sales: Pesos 380,000, Yen 80 millions, Malayan $230,000, Piastre 9 millions, Bhat 6 millions. The market was generally quiet, drops of Bhat gave exporters to Thailand and oversea Chinese there some losses and uneasiness.

Sales and purchases of TT, DD and notes are larger than is indicated by figures regularly given here. These figures refer only to transactions done in the so-called 'native' and unofficial exchange market but do not include private transactions which often are very large. Many merchants, investors etc. are effecting transfers of funds from here to neighbouring countries or vice versa without taking advantage of the facilities offered by the unofficial market and the brokers connected with it. There are exchange brokerage firms of standing in Hongkong who are very frequently dealing with customers here directly and transacting business with their associates in oversea places, and such transactions would not show up in the totals as reported here.

Chinese Exchange: People's Bank Yuan notes quoted $1.10 per Yuan; no business transacted. Taiwan Bank Dollar notes quoted $150—145 per thousand, and remittances at 148—144; only small business done.

Bank Notes: Highest and lowest rates per foreign currency unit in HK$: England 15.67—15.62, Australia 12.22, New Zealand 13.60—13.50, Egypt 14.50, South Africa 15.58—15.44, India 1.17—1.165, Pakistan 1.04—1.03, Ceylon 0.97, Burma 0.70, Malaya 1.84—1.837, Canada 5.845—5.835, Philippines 2.215—2.19, Macao 1.01—1.0025, Switzerland 1.35, France 0.015625—0.015575, Indonesia 0.13, Thailand 0.241—0.233. Market was very quiet.

Gold Market

July	High .945	Low .945	Macao .99
4	$251⅛	250¾	Low 261
5	251	250¾	
6	250⅞	250⅝	
7	251⅞	251	261⅝ High
8	251⅝	251	
9	251½	250⅞	

The opening and closing prices were $251 and 251¼, and the highest and lowest were 251⅞ and 250⅝.

The market was very quiet, prices fluctuated within fractions of one point, and tradings were so small that most transactions were done actually at 1/16 instead of quoted rates of eighths, for traders arranged their business half at higher eighth and half at lower eighth thus to prevent contravention of regulations of the Exchange. Future quietness is expected. Interest for the change over in fictitious forward favoured sellers and totalled $1.65 per 10 taels of .945 fine; local stock remained plentiful. Tradings amounted to 22,800 taels or at a daily average of 3,800 taels, and positions figured at 28,500 taels per average day. Cash sales totalled 13,220 taels, of which 3,420 taels listed officially and 9,800 taels arranged privately. Imports were mainly from Macao and amounted to 11,000 taels. A shipment of 20,000 fine ounces arrived Macao via the Colony last week, and another similar quantity is expected in this week. Exports figured at 10,500 taels (4,500 to Indonesia, 4,000 to Singapore, 1,500 to Rangoon, 500 to Korea). Differences paid for local and Macao .99 fine were $12.10—12.00 and 12.00—11.90 respectively per tael of .945 fine. Aside of these .99 fine bars for illegal export, some .9999 fine pieces which imported from abroad to Macao were exported as they had not to be refined into .99 fine here or in Macao. Local demand by goldsmiths was very poor, for their counter business continued in bad condition. Cross rates in the Exchange were US$ 37.78—37.76, and 25,600 fine ounces were concluded at 37.75 C.I.F. Macao.

Concerning actual gold imports and exports, and weekly figures for this trade as given here, it must be pointed out that only such transactions as are handled by the 'native' gold market are reported here. Frequently large imports are being made and consequently large exports are shipped out from here without being reported by the local free gold market. Additionally there are individual imports and exports which the market does not concern itself with, but in the aggregate such trade also amounts to fairly large figures. The export figures regularly given here refer to shipments effected by organised transport enterprises which can operate here without having to fear seizure. Individual operators, who run more risks, are both in the import business (which is non-recorded import of gold from other sources than the one or two ones where gold is brought into the Colony in transit) and export business (direct exports without reshipment and refining in Macao).

Silver Market: The market was rather steady on better demand by exporters. Local stock was small, business was not encouraging. Bar silver quoted $5.90—5.87 per tael with 3,500 taels traded, $ coins $3.78—3.76 per coin with 4,000 coins traded, and 20c coins 2.90—2.88 per five coins with 6,000 coins traded.

HONGKONG'S TRADING PARTNERS IN 1954

Part X

AUSTRIA

	Imports $	Exports $
Dairy products, eggs and honey	1,608	—
Cereals and cereal preparations	11,445	—
Fruits and vegetables	555	5,280
Sugar and sugar preparations	30,257	—
Coffee, tea, cocoa, spices and manufactures thereof	19,600	—
Beverages	4,478	—
Textile fibres	17,800	—
Animal & vegetable crude materials, inedible, n.e.s.	—	1,050
Chemical elements and compounds	2,632	—
Dyeing, tanning and colouring materials	5,255	—
Essential oils and perfume materials; toilet, polishing and cleansing preparations	1,045	—
Explosives and miscellaneous chemicals and products	406,178	—
Leather, leather manufactures, n.e.s., & dressed furs	709,255	4,989
Wood and cork manufactures (excluding furniture)	11,219	—
Paper, paperboard and manufactures thereof	7,251,810	—
Textile yarn, fabrics, made-up articles and related products	787,606	—
Non-metallic mineral manufactures, n.e.s.	5,001	—
Silver, platinum, gems and jewellery	41,204	—
Base metals	266,291	—
Manufactures of metals	59,569	—
Machinery other than electric	48,140	—
Electric machinery, apparatus and appliances	2,725	—
Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings	440	—
Furniture and fixtures	6,758	200
Travel goods, handbags and similar articles	5,847	—
Clothing	118,083	—
Professional, scientific and controlling instruments; photographic & optical goods; watches & clocks	211,615	5,680
Miscellaneous manufactured articles, n.e.s.	70,537	2,060
Live animals, not for food	—	1,115
Total	10,096,953	20,374

(To be Continued)